

EIR

Executive Intelligence Review

March 27, 1992 • Vol. 19 No. 13

\$10.00

The case builds against the IMF in Europe
Kissinger can't help Venezuelan 'democracy'
African food supply threatened by drought

**There is no ozone hole
over the Northern Hemisphere**



IN DEFENSE OF COMMON SENSE

by Lyndon H. LaRouche, Jr.

SCHILLER INSTITUTE



The Power of Reason: 1988

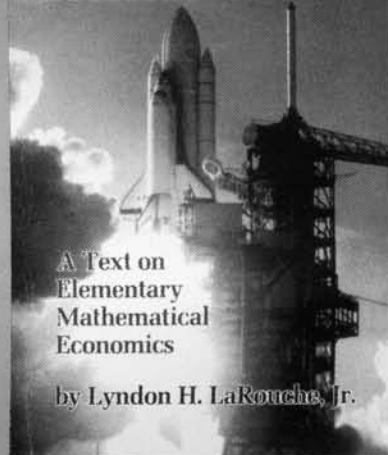
an autobiography by Lyndon H.
LaRouche, Jr.



So, You Wish to Learn All About Economics?

A Text on
Elementary
Mathematical
Economics

by Lyndon H. LaRouche, Jr.



WHY

The British Establishment Fears Lyndon LaRouche

Books authored by Lyndon LaRouche and associates

In Defense of Common Sense, by Lyndon H. LaRouche, Jr., Schiller Institute, 1989, 110 pages, \$5. Order number SIB 89-001.

The Power of Reason: 1988, an autobiography by Lyndon H. LaRouche Jr., *Executive Intelligence Review*, 1987, 331 pages, \$10. Order number EIB 87-001.

So, You Wish to Learn All About Economics? by Lyndon H. LaRouche, Jr., New Benjamin Franklin House, 1984, \$9.95. Order number BFB 84-003.

How the Nation Was Won, America's Untold Story 1630-1754, by H. Graham Lowry, *Executive Intelligence Review*, 1988, 497 pages. Order number EIB 88-001.

Derivative Assassination, Who Killed Indira Gandhi? by the editors of *Executive Intelligence Review*, New Benjamin Franklin House, 1985, 266 pages, \$4.95. Order number BFB 85-007.

"We Americans, in our majority, are now caught asleep, unprepared for the terrible crisis now assaulting the very existence of our nation. . . . To where do we turn, on very short notice, for a different political perspective, a different philosophy of policy-shaping? All we Americans have immediately at hand is the sleeping nationalist heritage embedded in our bones over more than twenty generations—the heritage of the eighteenth-century, worldwide American Revolution, and of the proximate predecessor, the Golden Renaissance. . . . I am the voice of the Golden Renaissance, in my role as a defender of our American Revolution. It is time for all true patriots to awaken and to join me."

—Lyndon H. LaRouche, Jr.,

from "The Great Crisis of 1989-1992, The LaRouche Congressional Campaign Platform."

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HOW THE NATION WAS WON

AMERICA'S UNTOLD STORY
Volume I
1630-1754

H. Graham Lowry

Derivative Assassination



Who Killed Indira Gandhi?

By the Editors of *Executive Intelligence Review*

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EIR (ISSN 0886-0947) is published weekly (50 issues) except for the first week of April, and the last week of December by EIR News Service Inc., 333½ Pennsylvania Ave., S.E., 2nd Floor, Washington, DC 20003. (202) 544-7010.

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

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

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Domestic subscriptions: 3 months—\$125, 6 months—\$225, 1 year—\$396, Single issue—\$10

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

From the Editor

When we had just about completed this issue, one of my colleagues approached me with a degree of concern. "I've read most of the articles," he said. "Do you realize that practically every one of them contains a blistering attack on the International Monetary Fund? The only exception is the article on Chinese classical poetry!"

So I must warn you, dear Readers, to expect a certain sameness about our themes. I can't claim to have planned it. The truth of the world strategic situation points toward not only great evil, but toward a cause for that evil. And since *EIR* was founded by Lyndon LaRouche, a man who has never minced his words in identifying evil, we feel obliged to name and dissect the culprit.

You'll find the IMF's reverse-Midas role detailed in our *Feature*, on the failure of IMF policy in central and eastern Europe; in the international lead on Venezuela; in the report in *Economics* on the drought in Africa; and in many of the international departments.

In contrast to ourselves, the establishment media run a constant defense for the International Monetary Fund and its various *Doppelgänger*, like the General Agreement on Tariffs and Trade (GATT), the World Bank, and the U.N. Conference on Environment and Development (UNCED—or as we like to call it, homonymically, "Unspeakable"). I refer you to Professor Kurowski's contribution in the *Feature* for a description of how the litanies about "fighting inflation" and the Invisible Hand are used to induce people to stop thinking and accept dictatorship by the IMF.

All of these outfits are really the same thing: the institutions of the Versailles system, patched up after World War II with the Yalta and Potsdam agreements. Together they make up the latest version of the old world order ruled by Britain by the muscle of the United States since World War I. Now that the United States has become flabby—economically and morally and in every other way you can imagine—in the waning years of the century, it is called the *new* world order.

I hope you enjoy this issue, which may inadvertently have turned out to be a handbook on how to combat the IMF in many corners of the world, including in the United States. And for variety—by all means, do read the piece on classical Chinese poetry!

Nora Hamerman

EIRContents

Interviews

6 Masaki Shiratori

Japan's executive director for the World Bank has launched a campaign against monetarism and the "free market" madness.

56 Melvin Klenetsky

The coordinator for Lyndon LaRouche's 1992 presidential campaign discusses the growing voter perception that something is rotten at the top—and how that gets reflected in voting, and voter abstentions.

Reviews

64 From Yalta to the Gulf War

"The Secret Files: Washington, Israel, and the Gulf," a Public Broadcasting Service documentary.

Departments

13 China Report

"Shock therapy" imposed.

49 Andean Report

Colombian "peace talks" relaunched.

50 Dateline Mexico

Mexico's economy addicted to drugs.

51 Panama Report

Prosecution has its cake and eats it too.

72 Editorial

Germany's role for Europe.

Science & Technology



Mt. Taal in the Philippines spews tons of chlorine into the air in September 1965, an eruption viewed at close range by Filipino government geologists. The increase in chlorine in the atmosphere this past February probably also came from a Philippines volcano, Mt. Pinatubo—but environmentalists pretend the cause was man-made!

16 There is no ozone hole over the Northern Hemisphere

Rogelio Maduro debunked the ozone hole fraud to members of the diplomatic community, while nearby at the United Nations, the Brazil "Earth Summit" was being readied to set up an ecological dictatorship over the world based on just such frauds.

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Economics

4 Despite primary, there is no "recovery surely on its way"

Fewer than one-third of American households are supported by one wage earner. Yet the Bush cheerleaders say we can "kiss the recession goodbye"!

6 Free market theory "not practical" in Third World

An interview with Masaki Shiratori.

8 Currency Rates

8 African food supply threatened by drought

10 Jamaat raises usury debate in Pakistan

11 Agriculture

Anything but "development."

12 Banking

Funds flow into securities.

14 Business Briefs

Feature

24 The case builds against the IMF in Europe

The "New Europe Working Group—Peace Means Development" was formed over the March 7-8 weekend. The aim: to give the former captive nations a program that will steer them clear of the ravages of both Marxian and Adam Smith economic policies.

26 Theoretical foundation of the stabilization program in Poland

Prof. Stefan Kurowski's Inaugural Lecture opening the 1991-92 academic year at Poland's Catholic University of Lublin documents the lethal toll that IMF schemes to force debt repayment have taken on his country.

30 The IMF and the illusions of 'free market' magic

Washington and the IMF are doing everything to prevent the eastern European economies from succeeding. A speech by William Engdahl.

International

34 Venezuelan 'democracy' decays as Kissinger descends

Henry Kissinger and his sidekick Luigi Einaudi have been sent to Caracas to bolster the Anglo-American stooge, Carlos Andrés Pérez.

36 United Nations readies strike against Iraqi industry

Documentation: Deputy Prime Minister Tariq Aziz says U.S. policy is to take Iraq back to pre-industrial age.

39 Cheminade blasts judicial frameup try

The 'Get LaRouche' task force is targeting a political movement in France.

40 Kohl faces ill wind from Washington

The German government tries to downplay the Pentagon's Wolfowitz Report and other U.S. threats.

42 Chinese classical poetry is based on universal principles of singing

Ray Wen Wei opens the book on this 2,200-year-old art.

46 Pro-secessionist insurgency gains momentum in northeastern India

Secessionist ferment in northeast India recalls problems in western Punjab and Kashmir.

52 International Intelligence

National

54 Voters take your choice: George Bush or a Bush clone

The two are so close in policies, they're almost more like a ticket than a rivalry.

56 LaRouche adviser assesses 1992 presidential race

An interview with Melvin Klenetsky.

60 Inslaw: one scandal that won't disappear

61 State Department promises to answer U.N., continues to evade rights charges

62 Virginia court rulings will be challenged

63 ADL-linked law firm nailed in S&L coverup

65 Scientific manpower shortfall: Is it real? What can be done?

An NSF study calling attention to the disappearance of this sector of the work force is under attack from fools who argue that "market demand" for scientific labor will balance out shrinking supply.

68 Congressional Closeup

70 National News

Despite primary, there is no 'recovery surely on its way'

by Chris White

After another round of presidential election primaries and another monthly round of government statistical releases, it is no accident surely that on the eve of primary elections in Illinois and Michigan, George Bush's loyal administrators should see fit to issue a bunch of reports indicating that a turnaround in the economy is under way.

Thus, on March 16, came forth from the relevant offices in the Department of Commerce and the Bureau of Labor Statistics news reports about housing construction, manufacturing activity, and prices, in the form of the Consumer Price Index, tailored for the evening news headlines for primary eve in the formerly industrial states. One can already imagine the releases being prepared for the eve of the nominating convention later on.

The details of the reports don't matter. Nor, really, do the public relations caution of administration hacks, like White House spokesman Marlin Fitzwater and Council of Economic Advisers Chairman Michael Boskin, that there are "hopeful signs, but it's too early to be making any declarations," as contrasted with the euphoria of the cheerleading squad at the U.S. Chamber of Commerce, from which quarter issued the singularly definitive statement, "The long recession is over," and the unfortunate utterance of John Aberton, who said, "Kiss the recession good-bye."

More substantially, each of the reports issued, as also with the Federal Reserve's latest "Beige Book" offering released March 18, adopt the same standpoint made notorious 60 years ago by Bush's predecessor, Herbert Hoover. The key word under which such ersatz reports might well be filed in the vaults of the government bureaucracy for use whenever required, is "sales"—more new homes, more automobiles, more appliances, with lower inflation.

People are supposed to be beginning to buy again, their

buying creates activity in the manufacturing sector and elsewhere, people are hired, unemployment goes down, more people can buy, so the argument goes. And, lo and behold, thanks to the almost magical power of the consumer's mighty dollar, the so-called "recession" is brought to an end. Almost automatically, in the jargon of the text-books used in schools and universities, the power of selling provokes another business cycle to begin. So, Treasury Secretary Nicholas Brady, the source of the portentous "the recovery is surely on its way," added, "The American people by themselves are going to decide."

This nonsense has reached the point where leadership opinion of both political parties in Washington, D.C. is prepared to assert publicly, as Sen. Robert Dole (R-Kan.) has done, that it may well therefore be better if government did absolutely nothing. The "cycle" will take care of the recession over time. Government action, of whatever sort, will only increase the budget deficit and interfere with the otherwise inexorable workings of the coming recovery. This is about the same degree of absurdity as Brady's "pent-up demand for light-bulbs" thesis of a couple of weeks ago. Though this writer has had to replace seven of the things since Brady's speech, he still thinks the Treasury Secretary is nuts.

Talking up sales didn't help Herbert Hoover in 1932, and 60 years later, in 1992, it won't help George Bush and the band of presidential tennis partners, like Brady, who make up the core of his economic team.

The unemployment fraud

Look behind some of the other news which feeds the "cautious optimism" of Bush's band of racketeers. Unemployment claims, in the latest week reported, fell by 27,000,

total new claims remaining in the range of 420,000 plus, per week. That's reason for another "glimmer of hope."

The government's running estimate is that 46% of the unemployed receive benefits, and thus that more than half don't. This does not mean that the 420,000 new claims represent less than half of the newly unemployed in any one week, since some claimants will not receive benefits. It does mean that new job losses, every week, is well in excess of the 420,000 who file unemployment claims. One could surmise that well over 2 million Americans have been losing their job every month over the last period. Over the year ended Dec. 31, some 34 million people were estimated by the government to be in this situation, which is nearly 3 million job losses per month, or 750,000 per week.

Weekly unemployment claim filings in excess of 400,000 per week will translate into an annualized revolving door in the labor force of well over 30 million people, about 25% of the whole. What would the level of sales activity have to be to reduce the size of this horrendous pool and safeguard people's jobs? The level of investment required to do the job could not possibly be generated in anything like the way the "sales-led" recovery people insist.

So, more than one out of every four workers who are presently employed can expect to be out of work, and it will more likely be closer to one in three, at some point in the coming year. What effect does talking up sales of consumer goods have on this?

There is no 'consumer-led' recovery

There are rather more than 90 million households in the United States. Of these, the government admits that more than 20 million do not have any wage-earner, and that more than 40 million are supported by two or more wage-earners. Less than 30 million households are supported by one earner. Less than 20 million of the total households have what is still called "discretionary income," money available after expenditures on necessities to make the purchases of the "big ticket" consumer goods which are supposed to fuel the recovery. Only around 3 million or fewer of these are single-earner households. It is not hard to see that the more than 40 million households with two or more earners, i.e., more than two-thirds of the labor force, are the ones who are being hardest hit, as a class, by layoffs affecting between one of every three or four workers at some point in the year.

This is part of the background to what Bush's team considers to "reasons for cautious optimism." The unemployment question is indeed only part of it. There are 25 million Americans who are now qualified to receive food stamps under the federal government's relief programs, one out of every 10 people. Or, better, since food stamp recipients, whether unemployed or not, are adults, more like in excess of one out of every four households is qualified to receive food stamps. That is, one-quarter of all households are not able to support themselves in terms of minimal necessities.

Are increased sales going to change that?

Related to this, one out of every seven children in the country enrolled in the Aid to Families with Dependant Children program, and 13 million people—like food stamp recipients, an all-time high in the existence of the program—are on public welfare. That is, roughly, one out of every eight households.

So, who is supposed to be buying all the goods which will be sold to generate the "recovery" which "cautious optimism" gives reason to conclude is under way? Well, there are the approximately 3 million households with one earner and discretionary income, and there are the less than 17 million households with more than one earner, and discretionary income. Say about 35 million people, out of the 120 million in the labor force (14% of the total population), are the ones who are supposed to be generating the sales activity which will turn everything around. Some of these are going to find themselves out of work, too, and some of them don't work because they don't have to. It's an absurdity, isn't it? It is a profile of national disintegration.

If everything was working the way Brady and Boskin claim, if the "business cycle" operated according to the way the textbooks say, and Bob Dole hopes, their "recovery" would still be something which left out about three-quarters of the labor force, and 85% of the population. It will indeed be different than other recoveries.

Left with a depression

What does all this leave us with? The same thing Herbert Hoover left us with, a depression. It isn't a "recession." It didn't begin sometime last year. It began in the late 1970s when the industrial manufacturing capability of the country was gutted under the high interest rate credit regime of Paul Volcker and the President who appointed him, Jimmy Carter.

Nor will it be turned around by any "consumer-led" recovery of the type Brady, Boskin, and the Federal Reserve insist on. There is no so-called "market," within the United States, to sustain anything of the sort, as long as three-quarters of the labor force and 85% of the population is left out of the perspective. As Brady said, "It's up to the American people to decide." He meant that people would have to decide to open up their pocketbooks and wallets and start spending. But the decisions that have to be made are rather different.

Contrary to Bob Dole and the school textbooks, business cycles aren't self-correcting based on the expansion of sales to consumers. As a matter of fact, business cycles aren't self-correcting under any circumstances, because they don't exist in any fundamental sense.

The problem is the policy, the policy which insists that 30% and more of the population should be condemned to the scrap-heap, and another 30% left with no perspective, other than the dread that they will follow next. This to sustain the tribute exacted in support of the claims of about \$25 billion of debt.



Free market theory 'not practical' in Third World

Masaki Shiratori, Japan's executive director for the World Bank, has launched a campaign against monetarism and the "free market" theory of development at the World Bank in Washington. Shiratori, former deputy head of international finance at Japan's Ministry of Finance, has gotten the World Bank to begin several studies on the more successful Japanese and Asian industrial development models.

Although no one in Japan has pointed this out yet, that "Japanese model" consists precisely of the types of government intervention and "directed credit" first proposed by U.S. Treasury Secretary Alexander Hamilton in his 1791 *Report on Manufactures* and his 1790 *Report on a National Bank*, which built the United States.

"The problem is that the economists at the World Bank," Mr. Shiratori notes, "seem to be forcing the classical Adam Smith Anglo-Saxon free market policies upon developing nations, which is quite often not practical in many Third World countries."

In many cases there is no such thing as a free market, Mr. Shiratori explains. "What do the monetarists mean by 'market rates?'" he asks. "If the economists at the World Bank tell a government not to give government-subsidized credits to small farmers, and to small industries . . . then no bank will ever lend to them. . . . It's not profitable. To say: 'Let them borrow on the free market' is just to say: 'Let them starve.'"

Shiratori points out that International Monetary Fund (IMF) and World Bank insistence upon "instant" decontrol of existing government policies, known as "shock therapy" in many countries, is "not economically viable. *And it's not only not economically viable, but also not politically viable.* The population cannot tolerate many of these measures."

Within the Versailles system

Unfortunately, however, the current Japanese plan, so far, is only aimed at reform of the World Bank and, implicitly, of the IMF, but not at a break with those institutions. Mr. Shiratori was very careful to note that Japan is not proposing any break with the World Bank, but rather a "step by step" process of studies of the Japanese alternative. *EIR* believes, however, that unless the "Versailles system" of

economic control represented by the World Bank and IMF are broken up, it will be not be possible to stop the current slide into genocide in the Third World and eastern Europe.

World Bank Staff Vice President for Financial Policy Johannes Linn, who attended a conference held by the Japanese government's Overseas Economic Cooperation Fund in Tokyo in early March on Japan's proposals, outlined March 12 the details of "a number of specific studies under way within the World Bank on Japan's request," including:

- World Bank Chief Economist Lawrence Summers and Senior Adviser John Page are reviewing all the Japanese and other Asian economies, with "particular attention to the role of government," in a study entitled "Strategies for Rapid Growth: Public Policy and the Asian Miracle."

- The World Bank Economic Development Institute under Adviser Hyung-Ki Kim is doing two studies. The first is on the Japanese "Main Banks," in which a particular bank finances and fosters a Japanese industrial combine. The second is on the Japanese civil service, and how Japan successfully adapted the best civil service traditions from Europe and the United States to its own development.

- The World Bank Country Economics Department Financial Policy Division under economists Dmitri Vittas and Yoon-Je Cho is planning a study on the *directed credit* system in Japan, the particularly effective Hamiltonian policy of the Finance Ministry, under which credit is channeled to particular industries, titled "The Effectiveness of Credit Policies in East Asia."

- The World Bank Country Economics Department Private Sector Development Division under Brian Levy is doing a study entitled "The Role of Government in Support Systems for Small and Medium-scale Enterprises," on Japan's experience in granted subsidized credits, import protection, and other help to middle-sized industry.—*Kathy Wolfe*

A 'Japanese model' of intervention

The interview which follows was conducted by Kathy Wolfe on March 16 in Washington, D.C.

EIR: Why is Japan asking the World Bank to shift toward a "Japanese model" of government intervention?

Shiratori: We are proposing that the World Bank study the very successful industrial development experiences of Japan and East Asia because the bank has a lesson to learn from this. The Japanese Ministry of Finance is willing to provide the funds for the studies.

The problem is that the economists at the World Bank don't know anything about the Japanese and Asian development experience. World Bank economists seem to be forcing the classical Adam Smith Anglo-Saxon free market policies upon developing nations, which is quite often not practical in many Third World countries.

Prior to 1980, development theory generally held that development was to be undertaken by governments, and the World Bank had supported projects by governments. Unfortunately this did not have the expected results and caused a lot of frustration among World Bank economists.

Meanwhile, the *monetarists* became more influential in Washington and London and the two factors combined to completely swing development theory in the opposite extreme, so that now the World Bank promotes the "free market," complete *laissez-faire* approach. Now the economists say that everything has to be done only by "market forces" and governments must totally refrain from any intervention.

Recently the World Bank's *World Development Report 1991* proposed a "market-friendly" approach, in which governments would intervene to promote infrastructure, education, and other areas which do not attract private investment. Unfortunately, however, this does not seem to be widely supported by World Bank economists.

EIR: Who started this initiative, and when?

Shiratori: I started it when I came to the World Bank in 1989, from the International Finance Bureau of the Ministry of Finance. My colleagues and I at the ministry were reacting to the developments here. Then-Governor Mieno of the Bank of Japan, in the absence of then-Minister of Finance Mr. Hashimoto, mentioned the issue in his speech to the IMF and World Bank annual meeting last fall. We've just had a conference on the idea in Tokyo at the government's Overseas Economic Cooperation Fund (OECF), with economists from the bank and several countries as well as Japan, at the beginning of March.

EIR: And the problem at the World Bank and the IMF is the monetarist philosophy?

Shiratori: Well, monetarist or Keynesian, they're all talking the same now. Most of the bank staff are saying the same thing, that everything should be liberalized, that all Third World countries must remove price controls immediately. They say that there should be no government-subsidized credit for agriculture—so the farmers will go bankrupt and the people will have nothing to eat. That there should be total de-control of import tariffs, of government regulations. This is simply not practical in many countries.

What do the monetarists mean by "market rates"? What is a "market rate"? If the economists at the World Bank tell a Third World government not to give government-subsidized credits to small farmers, and to small industries, and that they can only have credit at a "market rate," then no bank will ever lend to them. Why should a bank lend to them, it's too big a risk for the bank and not profitable. To say: "Let them borrow on the free market" is just to say: "Let them starve."

Until 1966, Japan was *the* largest borrower from the World Bank. The money was borrowed by the Japan Development Bank (JDB). It was used to assist the targeting of basic industries. We call it "directed credit" or "two-step credit," where step one is from the World Bank to the JDB, and step two is from the JDB to the Japanese industries. The JDB would make very long term, low-interest loans to industries, at interest rates just slightly higher than the JDB had to pay to the World Bank. These rates were much lower than market rates, they were government-subsidized rates.

Despite the fact that this has been proven to be such a success—the World Bank has turned *against* such targeted, subsidized loans. The World Bank now asks countries to completely reject this form of loan, which was a major mainstay of Japan's economic development.

EIR: We're told by the World Bank staff that the Japanese proposals are only in the "study" stage. Have any of your proposals been implemented?

Shiratori: No implementation yet. But I am encouraged that the bank has initiated some studies. We have just started the discussion.

Another big problem is, that the World Bank has no industrial policy! In Japan, we pick out industries to develop, as part of our industrial policy, and we give it various government subsidies: subsidized credit, tax incentives, export promotions, import protection restrictions, etc.

EIR: You know, those measures are quite "all-American" too, because all those ideas are found in the writings of our first Treasury Secretary, Alexander Hamilton.

Shiratori: Now the World Bank seems to be against this policy. There is another problem. Now, about 25% of World Bank loans are the so-called "structural adjustment" loans. And the bank tends to ask, as conditions for the loan, that the Third World governments liberalize imports "instantly," or stop agricultural price supports, etc. And everything has to be liberalized "instantly."

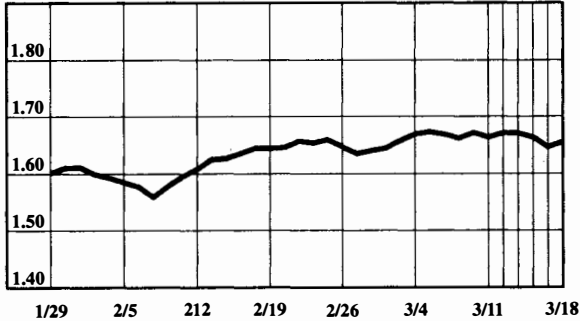
EIR: The so-called "shock therapy"?

Shiratori: Yes, and it's simply too drastic—it's too harsh, too painful, in many cases. It's not economically viable. *And it's not only not economically viable, but also not politically viable.* The political factor must also be taken into account. The population cannot tolerate many of these measures.

Currency Rates

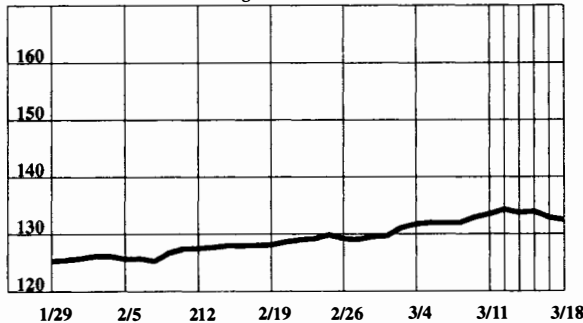
The dollar in deutschemarks

New York late afternoon fixing



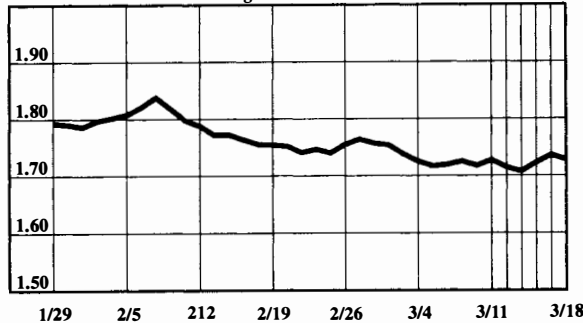
The dollar in yen

New York late afternoon fixing



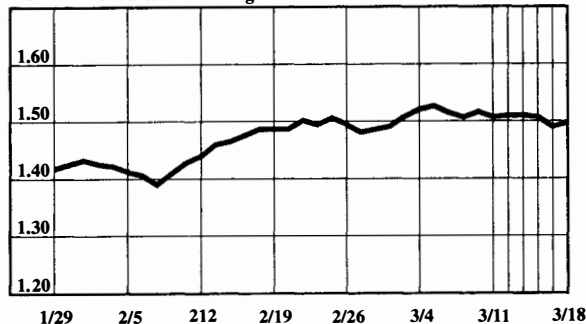
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Africa food supply threatened by drought

by Linda de Hoyos

Shortages of food supply for sub-Saharan Africa's 450 million people are expected to escalate dramatically this year, with the news that the southern Africa region could face a 75% fall in coarse grain yields due to drought. Drought is hitting Africa along the entire eastern coast from Cairo, Egypt, to Cape Horn, South Africa, and all the countries affected will require significant grain imports this year if their populations are not to starve. In the southern Africa region, food reserves are low because of a poor harvest last year. Already, Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe are suffering food shortages because of the drought.

South Africa, usually the world's sixth largest exporter of grain, will have to import 4 million tons of corn, according to the United Nations Food and Agriculture Organization (FAO), since this year's corn crop is expected to be below 25%.

In total, Africa will require in the order of 10 million additional tons of grain imports this year to keep its population from starving, with two-thirds of that going to South Africa and the southern African region, and 2,284,000 tons going to Somalia, Sudan, and Ethiopia, where drought has exacerbated food shortages already caused by civil war and unrest.

Zimbabwe is the hardest hit of the African countries by the drought. Government statistics show that 3,603 boreholes out of 12,110 have dried up since February, while 3,133 of a total 7,048 deep wells have run dry throughout the country. Acute water shortages are threatening to shut down industries, and schools are starting to close. The drought has decimated the country's dairy industry, thereby eliminating milk as a food source also. At least 2 million people, out of an estimated population of 9.7 million, are eligible for drought relief. As in the case of other countries forced unexpectedly to import food, the drought will drain foreign exchange and worsen Zimbabwe's debt crisis, making imposition of "structural adjustment plan" of the International Monetary Fund (IMF) even more onerous. Economists are projecting a negative 4% growth rate for the economy.

The drought in Zimbabwe also affects the rest of the region adversely. Zimbabwe has heretofore supplied food for more than 1 million Mozambican refugees in southern Malawi, who have fled the civil war in Mozambique, and Zimbabwe has supplied the food to Mozambique for its own internal refugees.

Mozambique itself is expected to require 1 million tons of maize this year in extra food imports to feed its population. Even if weather were normal for the remainder of the year, cereal

output is expected be less than 50% of domestic requirements. A state of emergency has been declared throughout most of Gaza province. In Manica province next to Zimbabwe, there is total crop loss. Drought has severely curtailed agriculture in rain-fed areas, and also reduced the water for irrigation in the Limpopo River valley. Even if Mozambique is still able to reap a normal harvest in the northern section of the country, the civil war and lack of infrastructure make it impossible to move the food to the south where the drought has hit.

Zambia will need to import 880,000 tons of maize this year because of the drought. The new government of Kenneth Chiluba has moved with alacrity to implement the IMF's structural adjustment program, which had been stalled by defeated President Kenneth Kaunda. Therefore, despite the drought, the new Zambian government on March 4 removed food subsidies, as per IMF instructions, and prices are expected to skyrocket under conditions of shortage. Millers had already hiked prices by 12%.

In Kenya, further to the north, the drought has hit this food exporter hard. This year Kenya will have to import 500,000 tons of food to meet its minimal needs. In addition, Kenya must feed the thousands of refugees who are coming into the country from Somalia. Because of the drought's decimation of the livestock industry, there is no butter and milk is hard to find.

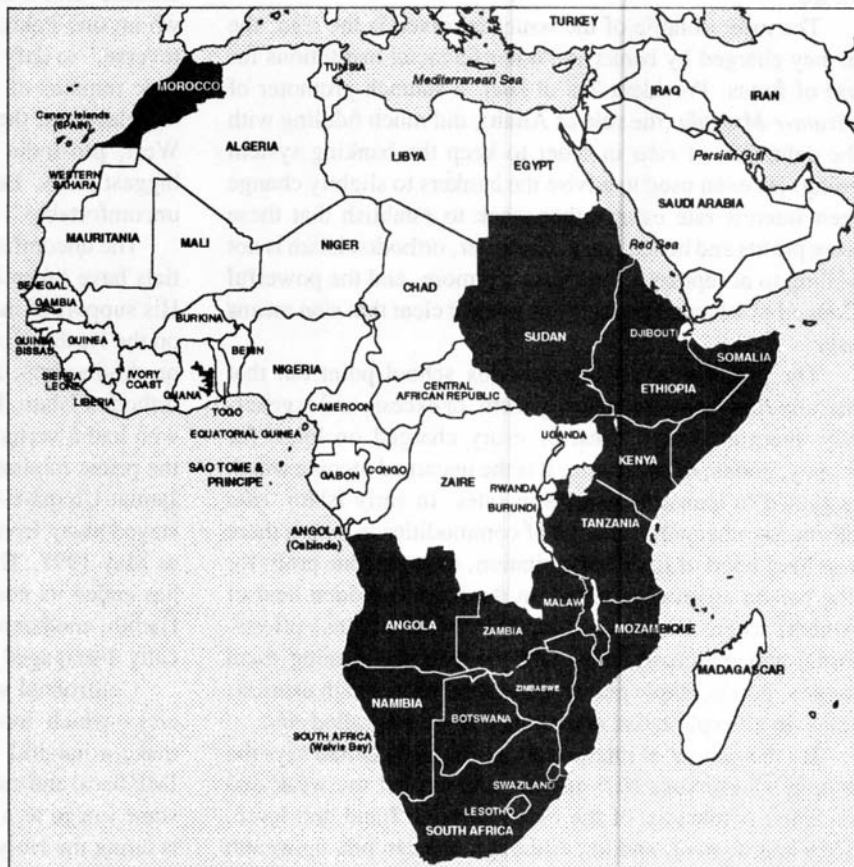
In the northeastern region of Sudan and in Ethiopia and Somalia, drought has worsened food crises already existing because of civil war. According to the FAO, Sudan projects a 3.8 million-ton harvest this year, which is an improvement over their 1.8 million tons of last year. However, most of this comes from the mechanized sector, and lack of infrastructure prohibits its shipment to drought-stricken areas. In the states of Kordofan, Darfur, and Eastern State, lack of water in rain-fed agriculture will produce a harvest inadequate for even subsistence. In these states, 5.25 million people, about 20% of the population, require food aid this year.

Over 60% of the Somalian population has been afflicted by the civil war in that country, and the harvest is expected to be 30-40% of normal. Supplies of seeds, fertilizers, and implements have also been disrupted and irrigation equipment has reportedly been looted or destroyed. In rural areas, people have lost or consumed their grain reserves and are now scrounging for "famine food"—sugar cane and wild fruits and berries.

In Ethiopia, 4.5 million people have been affected by drought, and the country will need to import 880,000 tons of cereals this year.

In Morocco, drought has caused a 50% decrease in this year's harvest over last year, and Morocco is being forced to import 3.2 million tons of cereals this year.

Drought stricken countries in Africa



Jamaat raises usury debate in Pakistan

by Ramtanu Maitra and Susan Maitra

The recent heated separation of the Jamaat-e-Islami, the religious orthodox Sunni political party, from the ruling Islami Jamhooria Ittehad (IJI) indicates that the Nawaz Sharif government is fast approaching a confrontation with the keepers of Pakistan's Islam.

The issue ready to be exploited is the yet-to-be-implemented 22 Islamic laws dealing with banking and financial matters. The laws were cleared by the federal Shariat Court late last year, and the court has stipulated that the laws must be implemented by June 30, the end of the 1991-92 fiscal year. Sensing the danger in implementing these laws, Prime Minister Nawaz Sharif kept the issue under wraps. However, the Jamaat's joining other Islamic groups pressing for implementation, will put Sharif's tenure to the blade of the Islamic sword.

The most volatile of the issues involved is the *riba*, the money charged by banks and other financial institutions for use of funds. President Zia ul-Haq, a staunch promoter of *Nizam-e-Mustafa* (the rule of Allah), did much fiddling with the definition of *riba* in order to keep the banking system going. He even used to advise the bankers to slightly change their interest rate every other week to establish that these were profits and hence, vary. However, orthodox Islam is not willing to accept such quibbling anymore, and the powerful Council of Islamic Ideology has made it clear that *riba* means usury.

The proponents of this orthodox school point out that literally *riba* means increase, growth, or excess, and is generally interpreted as interest or usury charged on loans for money, goods, or cattle, etc. It is the unearned income which is gained in loans, as well as in sales. In early Islam, *riba* meant any unequal exchange of commodities in which there was likelihood of fraud, exploitation, or any undue profit for one person against the other. In the scarcity-ridden land of Arabia, where Islam was founded, the chieftains, priests, lords, and merchants exploited the poor by loaning them money, goods, staple grains, and cattle and through usurious sales, in an exploitative economic transaction called *riba*.

By this school of interpretation, the Holy Quran says the people who devour *riba* oppress and exploit the weak and seize the sustenance of the needy through fraud and force. They hoard, steal, and lie. Although one can pile up wealth through *riba* earnings, this will, ultimately, lead to losses,

because enrichment of a few at the cost of others will result in inequality, injustice, and social unrest.

Despite such correct reasoning, Prime Minister Nawaz Sharif finds it difficult to eliminate *riba*, or interest-taking or interest-giving from all banking and financial transactions. Pakistan, which depends heavily on foreign loans to pay off its substantial foreign debt, cannot act independently on economic matters, unless it wants to completely break with the International Monetary Fund (IMF) and the World Bank—an act of courage Sharif has shown no inclination for.

Even so, there are reports that the World Bank is slowing down disbursements of its credits because of the uncertainties being created around the *riba* issue. This was also reflected recently when the Minister of State for Economic Affairs Sardar Assef Ali told a correspondent of the *New York Times* that "the whole financial system will collapse. The foreign donors are getting edgy and our own banking system is getting nervous." Putting up a brave front from thousands of miles away, Sardar Assef Ali added: "We have to decide whether we want to go towards the fanatical obscurantist Islam of the mullahs, or whether we want the Islam of Iqbal [national poet of Pakistan] and [Pakistan's founder Mohammed Ali] Jinnah. We cannot leave the decision pending any longer."

Sardar Assef must be feeling the heat from the western bankers. But is it possible for a beleaguered prime minister, whom one Pakistani journalist has dubbed "King Midas in reverse," to defy the federal Shariat Court and destroy what little remains of his image as pro-Islamization? During the last elections, the IJI accused Benazir Bhutto of being a pro-West, pro-India prime minister, and Islamization was its biggest plank. But, as one scribe points out, "facts are most uncomfortable."

The uncomfortable facts are that Sharif's Islamic credentials have taken a serious beating over the last 16 months. His support of the U.S.-led invasion of Iraq, double-talking on the Kashmir issue, and a quiet caving in to U.S. pressure on Afghanistan have all made him suspect in the eyes of orthodox Islam. Besides Jamaat chief Qazi Hussain Ahmed, who had a verbal mudslinging match with Nawaz Sharif at the prime minister's residence at Model Town, Lahore, the Jamiat-Ulema-e-Islam (JUI) of Maulana Fazlur Rehman stayed away from the IJI parliamentary meeting as far back as May 1991. The JUI faction led by Maulana Samiul Haq has ended its nominal presence in the IJI. The Jamiat Ahle Hadith, another religious party in the IJI grouping, has practically disengaged itself from the ruling party's activities.

Confronted with the contradiction of his economic policies—which include privatization of the public sector to make a handful rich, and implementation of World Bank-IMF fiscal and trade programs—and the necessity to maintain some image as a champion of Islam, Prime Minister Sharif is citing the Holy Quran, urging the rich to offer generously to make the program a success.

Anything but 'development'

The USDA has announced the creation of "rural development councils" to control rural resistance to the collapse of services.

On Feb. 19, Secretary of Agriculture Edward Madigan announced the establishment of "rural development councils." The U.S. Department of Agriculture (USDA) press release gushed: "Rural development councils featuring a coordinated economic development partnership between government and private industry will be established in 34 states and two U.S. territories." By the end of 1992, the USDA plans to have rural development councils in 42 states, Puerto Rico, and the Virgin Islands.

These councils are designed for anything but "development." Made up of federal, state, county, and town governments, and private businesses, the councils will employ criteria of "creditworthiness" to determine what rural services stay and what go—including water, sewerage, and medical facilities—the corporatist equivalent to "triage." In the new "rural development" program there is no new funding, nor any emergency measures to shore up farms and municipalities now going bankrupt. The USDA fact sheet states, "The councils do not represent a new grant program, but rather a collaborative use of existing federal, state, local government and private sector resources."

This scheme originated with the Working Group on Rural Development, set up in March 1989 by President Bush's Economic Policy Council. Over 1990 and 1991, the corporatist boards were tested in Kansas, Maine, Mississippi, Oregon, South Carolina, South Dakota, Texas, and Washington. Madigan, who heads the Working Group, said on

Feb. 19, "When the President announced his Initiative on Rural America, he made it clear that government and the private sector need to work together to get rural America back on track based on locally identified needs."

How has this worked, for example, in Iowa, which, as of March 10, is one of the USDA's target states for a rural development council? There is a bill currently in the state legislature which is designed to promote regional governments, across local and county lines. Whether it passes this session remains to be seen, but the news media are strongly promoting the idea that the time for regional control has arrived.

Local budget crises are key in the promotion of regional types of services and governments, because they give the appearance of "fixed resources." Consolidation of government and other services is promoted as "efficiency," ostensibly because it appears to be the only option in the face of federal reductions in the amount of money available to states, state reductions in the amount of money available to local governments, and a tax base which is shrinking by the day as the economy falls apart.

A blueprint for how to shrink Iowa's economy and services was written by the Stanford Research Institute (SRI) during the 1980s. Titled the "Iowa Futures Project," this plan, one of several by SRI, called for Iowa's 953 communities and 99 counties, which had been supported mainly by agricultural production and small manufacturing, to be regrouped into 13 or 14 regions of urban areas sur-

rounded by clusters of about 200 smaller communities—a sort of a neo-feudal system.

As Iowa's economy collapses, this plan is being implemented in stages. "Merger mania" has been applied to all aspects of the economy in the mistaken illusion that "bigger is better and more efficient"—and, thus, expenses can be reduced.

Various organizations are assisting in this so-called "clustering" process of the economic base. For instance, towns are urged to share services instead of each struggling to provide them. Now, counties are being urged to do the same thing, as merely an intermediate step in the process toward regionalization, which is mirrored in the school-sharing concept. So far, people may grumble a little about losing their independence, but the process is taking place. Moreover, communities are pitted against each other, fighting for available loan funds and for the local businesses that will keep their economies going.

"Assisting" in this process is the form of targeted financing known as "rural development." The USDA rural council program offers to streamline federal small business loan and credit applications, and speed the processing of other project requests. Thus, "rural development" is a system of national programs in which towns and businesses, meeting certain USDA criteria, can qualify for investment money for "approved" projects. Areas and projects not considered creditworthy are denied funds, which in the Depression will doom them to extinction.

At one time, rural banks had a territory of about 50 miles, and it was in the best interests of everyone to economically develop that area. Today, thanks to the Depression, many rural banks no longer exist, and the USDA's regionalization scheme is moving into the vacuum.

Funds flow into securities

The FDIC's latest "Quarterly Banking Profile" stats for 1991 look good—by ignoring the bad news.

One of the benefits of a regulatory environment in which no bad news is allowed, is that the bankrupt U.S. banking system can lose money like mad, yet still claim to have made substantial profits.

According to the Federal Deposit Insurance Corp.'s (FDIC) latest Quarterly Banking Profile, the U.S. commercial banking system earned \$18.6 billion in profits in 1991, a 15% rise over the \$16.1 billion in earnings the banks claimed to have made in 1990.

In the fourth quarter of 1991, the banks claimed a profit of \$3.7 billion, a 306% increase over the \$907 million profit for the fourth quarter of 1990. Reported profits for both the fourth quarter and the year were the highest since 1988.

A major factor in these so-called profits is the income derived from the banks' using their own funds to buy and sell Treasury notes, mortgage-backed securities, currency futures, and the like.

Profits from the sale of such securities accounted for \$2.96 billion (16%) of the banks' reported profits for 1991, up 515% from the \$481 million earned in 1990. During the fourth quarter, the banks earned \$1.4 billion from securities sales, which was 40% of the quarter's net income, a 462% increase over the \$256 million earned in the fourth quarter of 1990.

The securities profits especially benefitted big banks. The 49 banks with assets greater than \$10 billion would have registered an aggregate loss for the year without the trading gains, and only 57% made profits with

them. For the year, reported income at the big banks was down 20%.

A prime example of this is J.P. Morgan, which reported a profit of \$1.15 billion for the year, thanks to \$1.3 billion in income from securities trading. Without the securities dealings, Morgan would have lost money for the year.

Another major factor which boosted bank profits is the failure of the banks to admit the extent of their loan losses. Admission of these losses would require the banks to boost their loan loss reserves and increase their charge-offs, reducing both income and equity capital.

While the banks added \$33.9 billion to their loan loss reserves during the year—second only to the record \$37.5 billion added in 1987—the total amount set aside as reserves for bad loans actually *dropped* \$561 million, to \$54.95 billion, during the year.

Banks set aside \$10.1 billion for loan loss reserves during the fourth quarter of 1991, some \$1.6 billion less than the \$11.7 billion set aside in the fourth quarter of 1990. The largest reductions occurred in the Northeast, where fourth-quarter loan loss provisions were \$2 billion smaller than the same period in 1990. Banks in the western United States increased their loan loss reserves by \$875 million.

The banks charged off a net \$32.6 billion for the year, a 10% increase over the \$29.7 billion charged-off in 1990. For the fourth quarter, net charge-offs were \$9.4 billion, a 7% increase over the \$8.8 billion charged-off in the fourth quarter of 1990.

While the assets of the banking system grew 1.2% to \$3.43 trillion in 1991, total loans and leases shrank 2.8% to \$2.05 trillion. The amount of commercial and industrial loans fell by 9% to \$559 billion and loans to individuals fell 2.9% to \$391 billion. Meanwhile, real estate loans rose 2.5% to \$851 billion and farm loans rose 5% to \$35 billion.

With assets growing and loans shrinking, where did the money go? The answer: securities.

During 1991, the amount of securities with maturities greater than one year held by the banks rose to \$514.4 billion, a 14.2% increase over the \$450.3 billion in 1990. Temporary investments rose 11%, to \$501 billion from \$451.4 billion.

Securities holdings have risen sharply since, for securities (unlike loans), banks do not have to set aside a percentage of the total amount as capital.

As a consequence of the Bush administration's decree to federal bank examiners to look the other way on bad real estate loans, the amount of reported non-current loans and leases dropped 2.6% in 1991 to \$76.1 billion, down from \$78.1 billion at the close of 1990, while loans and leases 30-89 days past-due dropped 12.9% to \$41.8 billion, from \$48 billion. Restructured loans and leases rose 11.2%, to \$9.8 billion from \$8.8 billion, and "other real estate owned" loans jumped 31.9%, to \$26.4 billion from \$20 billion.

This alleged drop in non-performing real estate loans is absurd, during a year when the paper value of the nation's real estate holdings fell by hundreds of billions of dollars.

The FDIC's statistics are further removed from reality by the omission of the banks' off-balance-sheet liabilities, which are at least twice the size of their admitted liabilities.

'Shock therapy' imposed

Deng Xiaoping's new round of rapid reform is just what George Bush and Henry Kissinger ordered.

The western media are providing extensive coverage of the current rapid expansion of the Chinese form of "shock therapy" being imposed under 87-year-old Deng Xiaoping, the "old friend" of George Bush and Henry Kissinger. Deng is portrayed as the hero fighting for reform against the hardline conservatives, as if Deng were not the one who ordered out the tanks to massacre the cream of Chinese youth just three years ago.

The secret behind this is twofold: the reformers and conservatives are in agreement on the necessity to crush any expression of political freedom or creative thinking; and Deng's "reform" is in fact a policy of destruction of the people and the physical economy of China, in keeping with the demands of the bankrupt Anglo-American financial institutions.

The focus of Deng's new campaign is the drive to crush the "Three Irons": the iron rice bowl, the iron chair, and the iron salary, referring to the (theoretical) assurance of food, a job, and a salary for every Chinese. Now these state guarantees are being abolished, which, according to Deng, the spokesman for the "magic of the marketplace," will somehow create the "prosperity" of a market economy. As has been shown in eastern Europe and the Third World, such International Monetary Fund (IMF)-dictated destruction of state support for the population, with nothing to replace it, causes nothing but death and decay.

In practice, the meaning of this policy is expressed in the admission in the March 5 *China Daily* that the

"blind flow" of unemployed peasants, which assures foreign investors an endless supply of cheap, unskilled labor in the free trade zones, is now well over 100 million and will increase at the rate of 10 million per year. The average wage of an urban worker is about 1/100th that in the United States, about the same ratio as it was in 1918 when Dr. Sun Yat-sen proposed the as-yet-unfulfilled industrial development of China.

Beijing has begun the process of cutting off millions of workers from their jobs. In the bankrupt basic industrial sector, which is largely state owned, the bailout of federal funds which has sustained these companies over the past three years is coming to an end. Firms that have defaulted on a debt, the government announced the first week in March, will be closed or merged with other firms. Projects which default on a debt will be closed. Already, industrial workers who believed they had lifetime employment have found themselves joining the "blind flow." It is worse in the civil service. Under the guiding hand of U.N. Development Fund director William Draper, about 15% of the work force in the government institutions is to be left to fend for themselves among the unemployed.

The squeeze is on in other ways as well. The previously token rent rates are being radically increased. Free medical care is disappearing. This is openly said to be necessary due to collapsing federal revenue, which is due to collapsing state sector industries and to enormous tax breaks given the

cheap labor export-oriented industries in the free trade zones. Moreover, the State Administration of Taxation announced March 9 the introduction of sales taxes.

The conservative opposition to the reforms, centered around 86-year-old Chen Yun, has traditionally (at best) complained that the agricultural and industrial infrastructure was being sacrificed while the free trade zones prospered.

On March 1, however, the Hong Kong daily *Cheng Ming* reported on a document circulated by these networks which pointed to the insanity of "opening up" to a U.S. economy that was itself collapsing. The document references the Japanese book *The Japan That Can Say No*, and read: "The fundamental reason for the decline of the United States is its neglect of material production and its excessive zeal for making money from financial markets as it embarked on a so called 'Third Wave.' For a while, China's newspapers, broadcasts, and television endlessly bombarded the public with this view: 'Manufacturing represents backward and conservative thinking, while engaging in business constitutes the modern concept.' To this day, the naive idea that still prevails in our country's theoretical economic circles is that the industrial structure can be upgraded simply by expanding the proportion of the tertiary industry in the national economy. In addition, the best and the brightest in our country have been lured from production and science and technology fields into the circulation sectors."

Yet, these circles have no better idea how to run the economy, since they, like Deng, fail to recognize that modernization and development are impossible with a population that is confined by an ideological straitjacket and the tyrannical suppression of thought.

Business Briefs

Epidemics

AIDS responsible for new TB epidemic

The world is facing a tuberculosis epidemic of proportions still undreamed of, especially in the Third World, Klaus Fleischer, medical superintendent of the Tropic Medical Division at the Missionary Hospital in Würzburg, Germany has warned.

According to Fleischer's estimates, there will be 28 million victims of tuberculosis in the year 2000. The epidemic Fleischer is talking about is a new wave of tuberculosis which was triggered by the HIV infection, the virus which causes AIDS.

According to the World Health Organization, 3 million people have been infected with the HIV virus as well as the tuberculosis bacillus—2.4 million alone in the countries south of the Sahara.

The dramatic increase of people infected with AIDS and tuberculosis in Africa is also threatening the leprosy programs, according to Fleischer. The existing health services can no longer afford to concentrate on their anti-leprosy work because of manpower problems and the lack of money. A study has shown that the treatment of an AIDS patient in Uganda costs \$15 until his death. This is much more than the \$2-3 Uganda can spend on health care per patient per year.

Space

NASA team to study Soviet spacecraft

A NASA technical team left for Moscow March 18 to study the Soyuz spacecraft. NASA has been required by the Congress to examine whether the Russian craft could be used as an emergency crew return vehicle to be parked at Space Station Freedom.

According to the mid-March *Space News*, the NASA team will spend 10 days in Moscow gathering all the technical details it can, to evaluate that possibility. Because the Soyuz can

only carry a crew of three, and Freedom will house a crew of four, two of the Soyuz vehicles would have to be purchased.

At the same time, the European Space Agency has been pressuring NASA to consider the small Hermes spaceplane it now has underdevelopment for that purpose. The Europeans are hoping NASA will add financial support to the Hermes program, which is under funding constraints from the European participants.

U.S. congressional penny-pinchers have stated that NASA estimates it would cost \$2 billion to design a new vehicle for this specific task, and NASA must look for "cheaper" alternatives.

Meanwhile, according to the March 9 *Aviation Week*, the Russian Defense Ministry has proposed tests this summer with the U.S. Space Command as a foundation for future joint missile defense initiatives. Under the proposed plan, the Russians would launch a spacecraft that would eject two small sub-satellites. Both the Russian and U.S. Space Command surveillance radars would be used to track the two spheres as their orbits decayed. Then the two military intelligence organizations would exchange data which would be used to update computer models on how the upper atmosphere affects spacecraft orbital decay and reentry characteristics.

Food

Irradiation finds favor with processors

Food processors, "increasingly worried about food-borne illnesses, are quietly embracing an atomic-age technology that rids meat and seafood of harmful bacteria and makes produce stay fresh longer," the March 9 *Wall Street Journal* reported in a marketing feature on food irradiation. As reporter Richard Gibson noted, "This marks a turnaround. Although scientists and researchers have long believed irradiated food holds great promise, food companies have been circumspect."

Gibson reported that turkey growers are urging the White House to approve the poultry

irradiation regulations that have been sitting in limbo at the Office of Management and Budget since September 1991. The big poultry companies, ConAgra and Hormel, however, are still reluctant to move into irradiation.

Gibson quoted Sam Whitney, president of the Vindicator food irradiation plant, saying that some poultry company executives are worried that marketing irradiated chicken would raise questions about the safety of non-irradiated chicken. "They've called and said, 'Sam, we're selling every bird we kill, so don't rock the boat,'" Whitney said.

Although the U.S. Department of Agriculture and the Food and Drug Administration have approved poultry irradiation, the regulations required before the process can be used have been in a bureaucratic tie-up for several months. Administration insiders have attributed the stalling on the regulations to the political muscle (and money) of the poultry lobby, and have said that the White House put out the word that nothing would happen on irradiation until after the November elections.

Capital Formation

'Stop paying for all that speculation'

In response to a key question, "How do you pay for such a massive infrastructure-building program?" provoked by the "Democrats for Economic Recovery, LaRouche in '92" national television broadcast on March 8, the *EIR* economics staff compiled the following information.

In 1989, the total dollar volume of trading on the New York Stock Exchange was \$1.556 trillion, or 33.8% of Gross National Product (GNP). Then, there are the many other stock exchanges.

In 1970, there were 2.2 million grain futures contracts traded; 3.7 million oilseed and products futures contracts traded; 3.4 million livestock and products futures contracts traded; 2 million futures contracts based on other agricultural commodities traded; and 1.1 million metals (mostly gold and silver) futures contracts traded.

Briefly

● **AIDS PATIENTS** are now shunning hospitals for fear of contracting tuberculosis, reports the *New York Times*. Two hundred cases of drug-resistant TB have been found in New York and Florida hospitals in the last two years, 90% of them among HIV-infected patients.

● **HAITIANS** were forced to flee to the United States because of the U.S. trade embargo, not repression by the military-backed government, the *New York Times* admitted March 15. After being forcibly returned by the Bush administration, "for most of the returnees, the most immediate concern remains what most now admit forced them to flee in the first place: poverty and hunger in a country whose modern economy . . . has almost ceased to exist."

● **A CORNELL** University study claiming to prove the benefits of vegetarianism is being directed at preventing China from developing a large-scale livestock and dairy industry, says the April *Vegetarian Times*. Prof. T. Colin Campbell, who headed the study, spent \$2.3 million studying 6,500 people in 65 Chinese counties. Colin wrote a document, "More Meat Does Not Mean Better Health."

● **TIGER MOSQUITO** nests were discovered and destroyed by municipal workers in Padua, Italy last summer. The mosquito, typical of tropical areas but thought absent from Europe, carries the deadly dengue fever virus.

● **REP. JOHN DINGELL** (D-Mich.) has started questioning the accuracy of data purporting to show an "ozone hole," and is demanding answers of the U.S. government.

● **THE CHINESE** government has concluded a deal with Atlantic Richfield and the Kuwaiti Oil Co. to exploit oil and natural gas fields off China's southern coast, Radio Beijing reported March 12. Prime Minister Li Peng attributed the deal to China's "Open Door" policy.

Soon after President Nixon floated the dollar in 1971, a number of new futures contracts were introduced, based on energy products (oil futures contracts), currencies (not to be confused with currency trading), and financial instruments. A total dollar volume is not available for futures trading.

Financial futures contracts have come to dominate trading. This is nothing but pure usury and speculation.

Trading in options first began in the early 1970s. Trading of currencies has exploded in the same time period, so that currency transactions worldwide are now almost 40 times the volume of actual world trade in physical goods.

Finally, in 1991, there was an estimated \$31.8 trillion of trading in U.S. government securities, more than five times the U.S. GNP.

The answer to the question, "How do you pay for it?" is simple: You redirect credit from where it has been going for the past 20 years, to where it should have been going.

Monetarism

Financial Times prints attack on 'shock therapy'

A blunt attack has appeared in the London *Financial Times* against the "economic shock therapy" of Harvard Prof. Jeffrey Sachs and his cohort Anders Åslund of Sweden.

Washington editor Michael Prowse, in a column entitled "The Drawbacks of Shock Therapy," says, "In the dark ages of psychiatry, doctors believed that electric shocks could cure depression. The bigger the convulsion the better: The patient would recover that much quicker. The professionals keenest on electrodes today are economists. In Russia and eastern Europe, western advisers are experimenting with an economic form of shock therapy. . . . The fashionable view is that capitalism can best be reached in a single 'Big Bang.'"

Prowse then cites a recent Washington speech by Åslund, "a Swedish member of Professor Sachs's stable of advisers to Russia. Economic shock therapy has certainly pro-

duced impressive convulsions. In eastern Europe it has led to falls in production of one-third or more, huge increases in unemployment and severe distress. . . . Shock therapists like Åslund are unfazed. . . . In true Panglossian style, every negative indicator is construed as a sign of progress. . . . But some experienced economists are beginning to wonder whether different tactics would be more effective."

Prowse then cites the example of western Europe after the war, where economic liberalization was done only in measured and gradual steps. Prowse cites the cases of South Korea, which has grown from a desperately poor economy with no infrastructure. "Did they opt for shock therapy? Of course not. Policy was dedicated to gradually building up real world business skills and strength of particular manufacturing sectors."

Canada

Mulroney lashes out at U.S. trade action

If this behavior "came from a tin pot dictator," he would understand, said Canadian Prime Minister Brian Mulroney, but it is not understandable coming from the United States. Mulroney was referring to the U.S. Commerce Department's imposition of a 14.5% duty on Canadian softwood lumber the first week of March, in violation of the principles laid forth in the "free trade" pact between the United States and Canada.

In an interview which appeared March 9 in the London *Financial Times*, Mulroney warned that Canada would "not sit idly by."

Mulroney has also complained to the *New York Times* and *Washington Post* about the U.S. duty on Canadian softwood and said he would not rule out retaliation.

Ironically, both Canadian opposition parties are demanding that Mulroney's government take action against the United States on this matter, although such action would be premised on the United States violating free trade principles which both opposition parties oppose.

There is no ozone hole over the Northern Hemisphere

As more nations balk at turning over their sovereignty to the Earth Summit, its coordinators are gearing up new scares about the "ozone hole," a speech by author Rogelio A. Maduro shows.

The following is edited from a speech by Rogelio Maduro at a Feb. 27 Schiller Institute seminar in New York. The seminar was held to brief the U.N. diplomatic community on the "climate catastrophe" hoax being put forward by PrepComm IV, the final preparatory meetings for June's U.N. Conference on the Environment and Development (UNCED) to be held in Rio de Janeiro, Brazil. Increasingly, nations of both the South and the North are beginning to see UNCED—or the Earth Summit as it is called—as the establishment of a supranational "green police," which can intervene into the economic development policies of sovereign nations.

*Two authors spoke at the seminar: Gerd Weber is the author of *Global Warming: The Rest of the Story*, which was excerpted in January in EIR. Rogelio A. Maduro, whose speech we present below, is the author of a forthcoming book *The Holes in the Ozone Scare: The Scientific Evidence that the Sky Is Not Falling*.*

Two weeks ago a group of people from NASA and Harvard University gave a press conference that made it to the front pages, with doomsday and apocalypse stories about holes in the Arctic and the Northern Hemisphere, and over President Bush's house in Kennebunkport, and a few other places. This is the clearest illustration of how a scientific fraud operates: They had discovered a very large increase in the amount of chlorine monoxide up above the Arctic, on top of northern Canada and parts of Maine, and they immediately went and said, "Give this press conference."

They did not wait to collect the data; they did not wait to analyze the data. And people who are not scientists may not realize how outrageous this is. Using proper scientific procedures, which all scientists in NASA have to obey—except this group, at the atmospheric sciences section—you

have to have your data published in a peer review journal, or accepted for publication, before you can give a press conference announcing the results. Now, what's the whole point of what they announced? Chlorine monoxide—huge concentrations in the stratosphere: Doomsday is going to occur. They said: "Well, this means that there is the potential, under very specific conditions, for an ozone hole to form over the Arctic, perhaps in the next 10 years or longer from now." Which immediately raises the question: if it's going to happen in 10 years, why did they have to have this press conference to scare everybody two weeks ago? Why couldn't they have waited six to eight weeks to have the paper published in the scientific literature? What was the emergency?

The point was the timing. They wanted to give this presentation before the PrepComm and before the climate negotiations here in New York [to make countries reduce so-called "greenhouse gases" and atmospheric chlorofluorocarbons—ed.]. It was a purely and entirely political move on the part of a group of people at NASA and Harvard University—James Anderson.

Now, is there anything to worry about? What they did not mention, what they kept very quiet from the news media and the public in the press conference, is: Where does this chlorine monoxide come from? It was interesting reading all the articles in the *New York Times*, *Washington Post*, and so on, and so forth, because the *Washington Post* actually mentioned that, by the way, some of it may have come from the eruption of Mt. Pinatubo in the Philippines. They did not explain that this chlorine came from the eruption of Mt. Pinatubo in the Philippines! It had nothing to do with chlorofluorocarbons (CFCs)!

The timing was precise. Six months or so after the eruption, you have a huge cloud of volcanic debris circling the

Earth that, because of weather patterns, has just made it to the Northern Hemisphere, going on its way to Antarctica, which is a huge sink for all the garbage that makes it up into the stratosphere; it sinks all in the Antarctic. So it's just going right over this area, it just happens to be going right now, on time, and they take a plane—a spy plane—and they take samples. And they say, "Oh, my God, there's all this chlorine monoxide, this is an emergency, we've got to ban CFCs!"

Where is the logic? It comes from a volcano. Why did they lie? Why have they not told the public? I've heard people say, "Because they're racists; it's Philippine chlorine, and they don't want to give the Filipinos any credit for anything."

Anyway, let's take it on a global basis. Let's take a look at the global flux of chlorine, which is what scared everybody. Here you've got the actual amount of chlorine. The whole scare point about the ozone depletion theory is that chlorofluorocarbon molecules are going to rise to the stratosphere, then you're going to find ultraviolet (UV) radiation, which is going to break them up, and it's going to release this chlorine molecule, and the chlorine molecule is like a big Pac-man which is going to go "blub-blub-blub" and it's going to eat all these ozone molecules; so, you're going to have an ozone hole, an ozone depletion, and you're going to have skin cancer. Right?

Now, this is what they always omit: Here is the actual amount of chlorine contained in all CFCs produced every year (Figure 1). According to the theory, or actually according to measurements, 1% of the CFCs disappear, which means that they've been broken up in the stratosphere, which means that 7,500 tons of chlorine are being released into the stratosphere every year. Now let's make a little comparison here, from natural sources of chlorine: You get 5 million tons from ocean biota, which means algae and plankton, and a few other things like that; you get 8.4 million tons from biomass burning; you get 36 million tons from volcanoes; and 600 million tons from seawater.

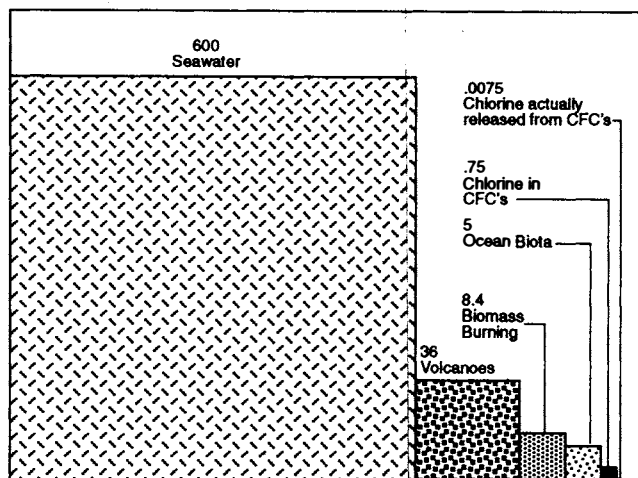
Now, this shows volcanoes in a normal year; it doesn't include a volcano like Mt. Pinatubo, which must have loaded at least 20 million tons of chlorine into the atmosphere, of which a very significant portion went into the stratosphere. So what's the problem? What's the scare? You see, you can only pull this scare on people by not mentioning any comparisons with natural sources of chlorine. That's the whole first step of the fraud. I would like to just compare the amount of chlorine released by one volcano in Antarctica to the amount of chlorine from CFCs. This is Mt. Erebus in Antarctica Figure 2. All by itself, this one volcano, which erupts every day—it has a column there, right on around the top—puts out 20 times more chlorine into the atmosphere than the entire amount of chlorine allegedly produced from the breakdown of CFCs.

This volcano happens to be 10 kilometers upwind from the McMurdo station in Antarctica, which is where they take measurements of the chlorine abundance in Antarctica,

FIGURE 1

Atmospheric sources of chlorine

(millions of tons)



which is where they come up with the idea that chlorine from CFCs is causing the ozone hole. These people have been shooting these very expensive balloons and expensive instruments up into the air, going through the volcanic cloud, and making reports about all this chlorine from CFCs. Well, where do you think it comes from? It comes from Mt. Erebus.

The same thing is the case with halons. You're going to have all these halon fire extinguishers banned, because they produce bromine, which is supposed to be a super-ozone-destroyer, 10 times more dangerous than CFCs, right? Well, let's look at the natural sources of bromine compared to the total amount of bromine contained in a year's production (Figure 3). The actual amount released is very insignificant—basically, I don't even think it can be measured, because most of the bromine that's actually in halon is destroyed to put out fires. So they actually never have a lifetime in the atmosphere that's necessary to even get to the stratosphere.

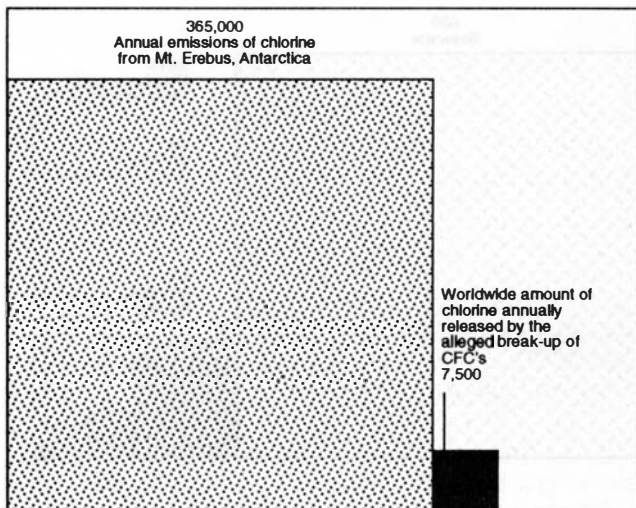
So this is what the basis of the whole fraud two weeks ago was—all this chlorine monoxide in the stratosphere. Where does it come from? Does it come from CFCs? Does it come from nature? They don't want to address that issue. Because then the whole scare would fall apart, and people would just figure out that "I have nothing to worry about."

Did the sky really fall two weeks ago?

The second point I'd like to make about this press conference a couple of weeks ago is: Was there actually an ozone depletion? If you read between the lines, if you read what they actually said at the press conference and what they released, then in fact, there is no evidence of ozone depletion, yet. Yes, they claim it's going to happen in the future, but there is no evidence of ozone depletion. In and of itself, that

FIGURE 2

Mt. Erebus chlorine output compared to chlorine released from breakup of CFCs
(tons)

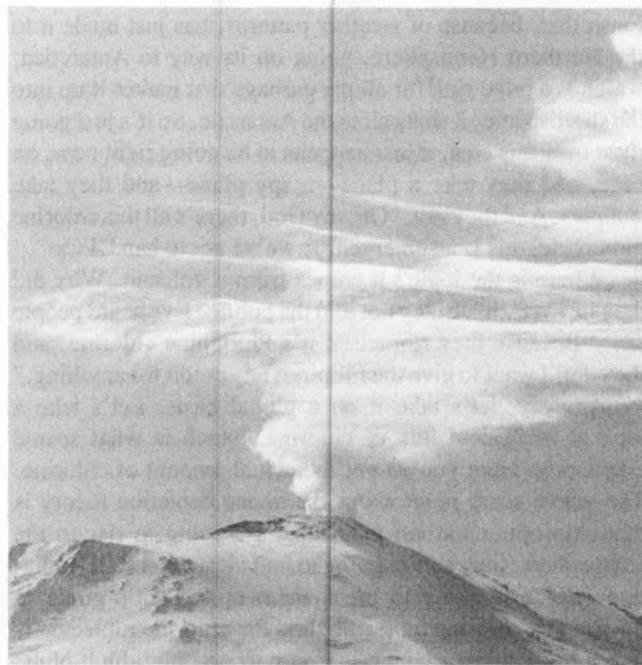


knocks out the ozone depletion theory, because we've got all that chlorine floating around that *should* deplete the ozone layer, and it has not!

Now, in terms of global measurements of ozone, the same kind of procedure that was seen two weeks ago has been happening over the past several years: Starting in 1988, Robert Watson of the Ozone Trends Panel gave a press conference that was supposed to release a report documenting that there had been a 3% depletion of the ozone layer over the Northern Hemisphere. They gave a press conference, they handed out an executive summary, a summary of the report, but the report did not come out for another three years. When it came out, what it said was actually different from what they reported at the press conference. But it scared everybody, and it got everything into motion that was necessary to tighten the screws to ban CFCs. Then they had a whole sequence of conferences after that, the same *modus operandi*: They gave a press conference last April that said, "8% ozone depletion"; no scientific paper to follow it up, no peer review of the data. Last October, they gave another press conference . . . where they said something very similar—but the report does not exist! There is nothing published in the scientific literature.

Then you have the press conference two weeks ago. The fact is, they have not even analyzed the data! Not even the staff has analyzed the data, and yet, they keep claiming a report is going to come out in the future.

Now, what is the actual evidence on ozone depletion? Here you've got a chart showing the changes of ozone depletion over the past, since 1958 (Figure 4). This is the ozone layer; you have this clear oscillation of ozone going on. And



Mt. Erebus in Antarctica puts out 20 times more chlorine than all of the chlorine produced by the ostensible breakdown of atmospheric CFCs. The volcano, which erupts every day, is about 6 miles upwind from McMurdo Sound, the station from which chlorine measurements are taken, which are then used to claim that chlorofluorocarbons—not natural chlorine sources—cause the so-called depletion of the ozone layer.

if you compare that to the number of sunspots over the same area, you see a correlation with the number of sunspots. So obviously a major influence on the thickness of the ozone layer is sunspots, solar flares, the influence of the Sun, which is how ozone is actually created in the first place—billions of tons of ozone are created every instant and are destroyed every instant.

What happens is that radiation from the Sun is hitting the Earth. Several different layers of the Earth's atmosphere filter out different wavelengths: Oxygen filters out the the x-rays and the ultraviolet rays, and in the process of filtering them out, the oxygen molecule breaks up and recombines either into oxygen (O₂) or into ozone (O₃). And then other wavelengths of UV radiation break up the ozone, which then recombines into oxygen or into ozone. So most ozone molecules have a half-life of maybe 5 or 10 seconds. And the ones that survive for a few hours, or a few days, or a few months, drift out into the stratosphere and then out to the poles. The interesting thing to look at is that correlation: The more sunspots you have, the more solar radiation you have, the more ozone you have.

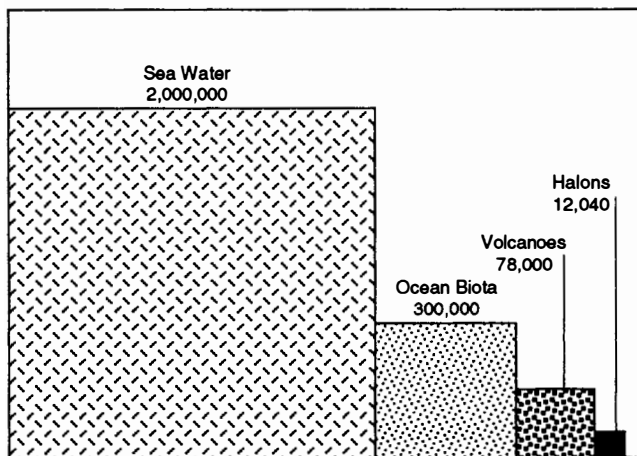
The ozone layer and solar cycles

Now, the Ozone Trends Panel, in the 1988 press conference, announced their re-analysis of the worldwide ozone

FIGURE 3

Natural sources of bromine compared to bromine in halons

(tons)



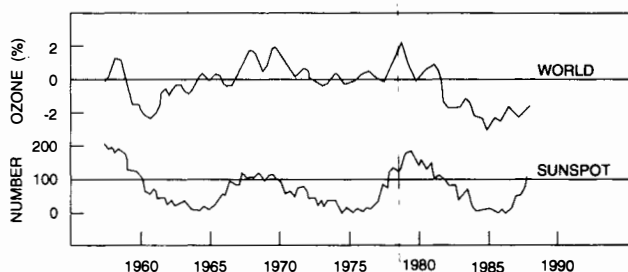
data (see Figure 3). They picked a very curious date to start the re-analysis: 1969. It was completely arbitrary; there is no reason why they would pick 1969 over any other year. And they end up in 1985—17 years later, or one and one-half solar cycles. So, they start their study here, and they end it right here. Now, does anybody notice anything curious about that? If you draw a straight line from there to here, you get the ozone depletion that they claim. That's exactly what they did. But if you draw a straight line from 1962, which was almost the ozone minimum of the past 30 years—this was a little bit more. If you take the same time frame and draw your line, you see a thickening of the ozone layer, using the exact same methodology that the Ozone Trends Panel used. It's entirely a decision of what date they picked to begin their measurements that determines the so-called ozone depletion. That's one of the most critical features of how they've actually been manipulating public opinion, claiming ozone depletions which have actually not happened. If they used the 22-year solar cycle, what you see is, between 1962 and 1985, there's not a great deal of change.

The same is true for other years. You have a very clear cycle going on, and there's other elements involved in the thickness of the ozone layer (Figure 5). You have enormous variability in the ozone layer from day to day, month to month, different times of the year. This is the thickness of the ozone layer in March over the Northern Hemisphere; this is the thickness in October of the same year. Actually in October, what they claimed was ozone depletion since 1979 was 5%; but they ended in the half-year—they ended after seventeen and a half years. So, they started measuring at this part of the year, and they stopped measuring at that part of the year, and there's a 40% difference in the thickness of the

FIGURE 4

Comparison of seasonal values of sunspot number with variations in total global ozone

(1958 through August 1988)



An 11-year and a 22-year cycle in ozone levels, matching the Sun's sunspot cycle, are clearly evident. A large number of sunspots indicates violent disturbance of the Sun's surface, with outbursts of particles and radiation.

ozone layer between March and September-October. Again, manipulating the data to scare the public into believing that there is a danger, which does not actually exist. There is no evidence whatsoever to indicate whether the ozone layer has thinned, or whether the ozone layer has thickened. We don't know, and the evidence points out the fact that there really is no difference when you take the sunspot cycle and all the other influences on the ozone layer into account.

One of the most fundamental issues that has to be addressed in terms of the ozone depletion theory is whether CFCs are actually even being broken down in the stratosphere, for which there is absolutely no observational evidence. It's all theory.

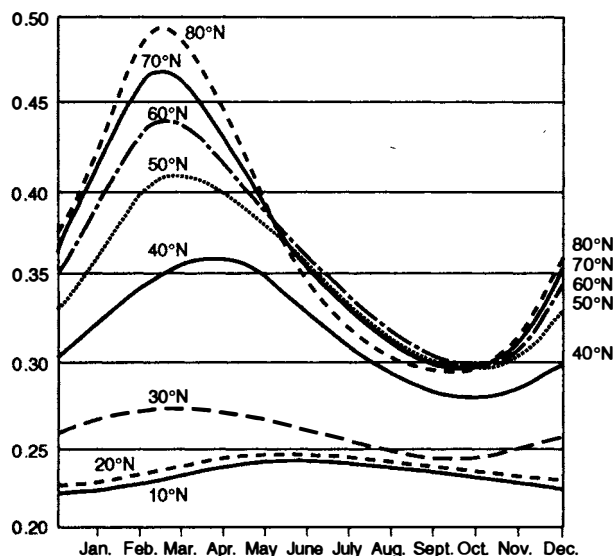
These are the concentrations of CFCs in the atmosphere (Figure 6). The stratosphere starts around 24-25 km or so, depending what part of the world you're in. What you see here is a very sharp dropoff in concentrations of CFCs, upon entering the stratosphere. This is a logarithmic scale, so you're going basically from 100 to 5 parts per trillion volume—it's just a matter of 2 or 3 km—it's a very dramatic drop in concentrations. Now, this is the only element of proof that proponents of the ozone depletion theory have to indicate that CFCs are being broken up in the stratosphere. They say: "Well, the concentrations are getting lower because ultraviolet radiation is breaking up the CFC molecule"; and it's only in the stratosphere, because they say that's the only place where there are intense enough amounts of UV radiation to break down the CFC molecules.

Now, that's not the whole story. Let me explain to people that very small amounts of ultraviolet radiation in the range necessary to break down CFC molecules may get within 30 km altitude. In order to find any significant concentrations of UV radiation that can break up CFC molecules, you've got to get all the above 40 km altitude, and even higher to

FIGURE 5

Annual variation of total ozone for each 10° of North latitude

Ozone (cm)



Note the extreme variations in the thickness of the ozone layer, especially in northern latitudes between the spring months (March=maximum ozone layer thickness) and the fall (October=minimum layer thickness).

50 or 60 km altitude. CFC molecules are not making it up that high. So it can't be ultraviolet radiation that's getting rid of the CFCs. What they omit is that the stratosphere is an inversion layer, which means that instead of getting colder with altitude, it's getting warmer. And when you have warm air on top of cold air, the cold air is like a plug. Which is why Los Angeles has this smog problem: The air cannot rise above the valley—because you have an inversion layer, the air remains trapped. Whatever air makes it to the upper part of the atmosphere comes right back down because of this plug. The same thing is happening in the stratosphere; and all that's happening to the CFCs is that they're coming right back into the atmosphere. There's no evidence that they are being broken up.

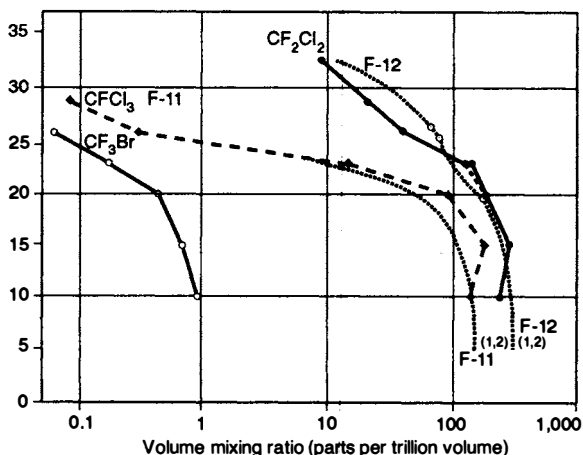
Natural sinks for CFCs

There is a body of scientists who are pointing out that CFCs are being destroyed by several things in the atmosphere and elsewhere, and the most likely culprit for the destruction of CFCs is soil bacteria. In Australia, some scientists went to study the emission of methane from termite mounds, and they were using CFCs as tracers, because they were supposed to be indestructible, so there should be the same amount of CFCs inside the soils and outside the soils. But they find out

FIGURE 6

Concentration of CFCs and halons in the atmosphere

Altitude (km)



This figure is on a logarithmic scale, with each line on the left representing one-tenth the concentration of the line on the right. Notice how rapidly the concentrations of CFCs and halons decrease after these compounds enter the bottom layer of the stratosphere. The reduction in concentration occurs significantly below the altitude at which high concentrations of ultraviolet radiation (capable of breaking up CFC molecules) are found.

that that was not the case, that something in the soils was destroying CFCs, was destroying methachloroform and carbon tetrachloride. And it is most likely that it was this whole family of bacteria, called the halogenating bacteria, which live by breaking up chlorinated molecules to get energy and food. These scientists were actually conducting experiments in the laboratory, where they have documented the fact that these soil bacteria can eat and destroy CFC molecules! And the amount of CFC molecules they are destroying, and that disappear through other modes—apparently CFCs are also captured by plant tissue, lipoproteins can capture CFCs in the air—is what's taking the CFCs out of the air.

Ozone hole discovered in 1956-57

There is no evidence that any CFC molecules whatsoever are breaking up and releasing that villain, that evil chlorine molecule that's swallowing up all the ozone layer! The Antarctic ozone hole was originally discovered, not in 1985, as the media claimed; it was 1956-57 during the International Geophysical Year, which is when scientists made it out to Antarctica and started measuring the thickness of the ozone layer. And what they discovered was this very curious pattern, which is completely different from the Arctic, where you have very low concentrations of ozone at a certain part of the year, September-October mostly, and then it jumps at the end of November. Gordon Dobson, who was working on this, postulated that there was a very interesting phenomenon

going on that would be depleting ozone during a certain part of the year and then replenishing at a certain other part. When the proponents of the ozone depletion theory are confronted with Dobson's discovery, they quickly turn around and say, "Well, the levels of ozone concentrations that Dobson was measuring went down only as low as 250, 220 or 230 Dobson units." That's true: The concentrations are going much lower now, and they're going about 100-150 Dobson units lower today than they did in 1957. However, two French scientists looked at the old ozone data from the French Antarctic station at Dumont Dorvel. The data had been published, but nobody had looked again. They got data from 1958, and what they discovered is that the levels of ozone readings at this Antarctic station, which is on the other side of the South Pole, went down as low as 110 Dobson units

during October of 1958, which is even lower than what they're measuring today. So the ozone hole was there in 1958, and it was even deeper than it is today!

As they point out today, the ozone hole exists inside a vortex, a polar vortex, which forms for two months of every year, as the polar night, six months of darkness, turns into light when the Earth is tilting toward the Sun. A very vicious belt of winds—300 mph—surrounds Antarctica and seals the continent from the outside world. No air coming in from the tropics, which is very rich in ozone, can get into the holes during those two months of the year. And then some crazy chemical processes go on inside the poles which deplete not only ozone—very complex processes—but also nitrogen oxide, water vapor, and many other chemicals, and increase the concentration of many other chemicals. It's a very inter-

The world needs more people

During the question period, Maduro discussed some of the political and economic issues underlying the environmental debate.

If the developed sector rose to levels of technology and consumption of the advanced sector, you would end most environmental destruction in the world. Because most environmental destruction comes from poverty. Take deforestation: Sixty percent of global deforestation comes from the burning of firewood; another 20-25% comes from the slash-and-burn agriculture. If you had fossil fuel plants, if you had nuclear power plants, if you had fusion reactors in the Third World, you would not have all the trees down and burn them for fuel. It's insane, absolutely nuts! Despite the fact that that's what the environmentalists advocate . . . sustainable energy sources; they say you should burn the wood—it's crazy. That's what's leading deforestation throughout the world. . . .

. . . The world is vastly underpopulated. People don't realize that if every man, woman, and child on the face of the earth were standing next to each other, they could fit inside the city of Tampa, Florida. If each man, woman, and child—if each family had a house with two acres of land, they would fit inside Texas. The world is underpopulated! It's mostly empty! The world can easily sustain 35-50 billion people at present standards of living, and not be crowded, and not be destroyed. It's all a question of what level of technology you're going to be using.

There are environmental problems, there are some very severe problems—the question of deforestation is

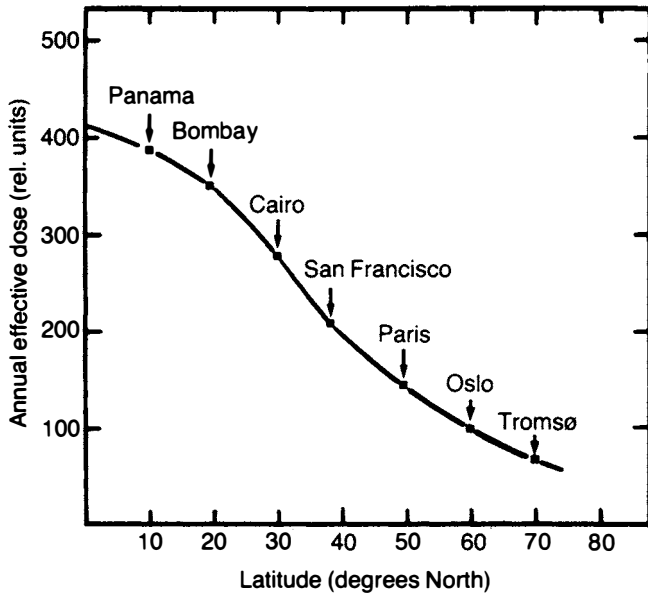


probably the greatest. (Well, actually, the question of the spread of diseases is the greatest environmental problem. Man is part of the environment, and you have a biological holocaust.) The second problem is deforestation; but that is the lack of technology. The third problem is slash-and-burn agriculture. You need tractors and fertilizers! If you travel to Germany, it's very interesting. It's a beautiful country: You can travel through Germany, and you don't feel you're in a populated country, because most of the time you have farmlands. The problem is . . . you want to keep the beauty of nature at the same time as you elevate the status of man. You can do both if you have the right technologies, if you have the most advanced technologies, and if you plan ahead to do it that way.

FIGURE 7

Ultraviolet dose varies greatly by geographical latitude

Annual effective dose (rel. units)



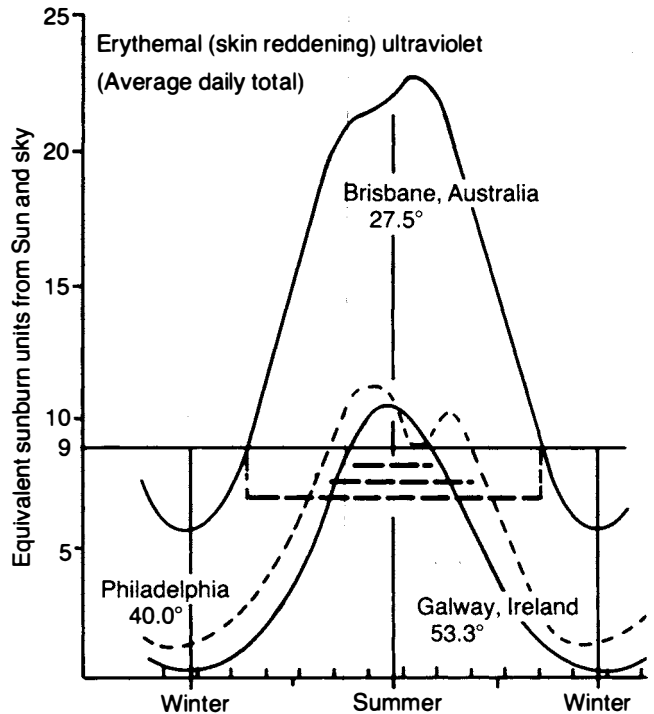
esting series of reactions that go on in there. But the point is, you don't need any CFCs to account for what is going on—it was there in 1958, before CFCs were in widespread use. So there is no relationship to CFCs.

The skin cancer hoax

What I would like to address now is: What is the threat from ozone depletion? Well, the threat is that there's going to be a worldwide increase in skin cancer. The first thing to note about that is that people who get skin cancer are basically limited to people who have white, fair skin, blue eyes, blond hair, or reddish hair and light, fair skin. That's who gets skin cancer. Skin cancer is almost unknown among people with darker skins, who have the melanin necessary to protect them from sunlight and UV radiation. So, we're talking about a small grouping of people at risk under certain conditions, which is precisely what is really emphasized. That is, there are people from northern latitudes moving into southern latitudes, for which they don't have the skin type necessary to withstand the amount of ultraviolet radiation that exists in southern latitudes. Let me just show you very quickly: UV radiation increases 5,000% between the North Pole and the Equator (Figure 7). Here you have Tromsø, Norway, and Panama, which is near the Equator, and you get to the upper limit there. What they're talking about in the ozone depletion theory, is a 10-20% increase in UV radiation. That actually translates into moving south approximately 60-120 miles from where you presently live. That's all they're talking about. If you were to

FIGURE 8

Ultraviolet radiation and skin cancer vary with latitude, season, and climate



move from Tromsø, to Panama or Bombay, you're talking about an increase in UV radiation of more than 600%. People who move from England to Australia are exposed to between 250 and 500% more ultraviolet radiation than what their skin type is actually meant to withstand in Britain. So if you compare that 250-500% increase in UV radiation to 10-20%, it is not a big deal. And this is one of the things that, again, is not mentioned in the ozone depletion theory.

I just want to give you some of the readings, as a comparison between the amount of ultraviolet radiation somebody gets in Australia, versus what somebody gets in Philadelphia or Ireland (Figure 8). There's an enormous difference. And it's not a linear thing: You should look at it as an aerial exposure. Enormous, enormous differences. This is why you have such a high rate of skin cancer among Australians; you do not see any skin cancer increases whatsoever among Australian aborigines; it's all among white-skinned people. Now, if ultraviolet increases, according to the theory, a 1% ozone depletion means a 2% increase in ultraviolet radiation. The data show the opposite. The data show that ultraviolet radiation is actually decreasing as much as 7% between 1974 and 1985, when all these measurements were made in the United States. When this study was released in *Science* magazine by Joseph Scotto of the National Cancer Institute, the only network

around the world systematically measuring UV radiation, instead of everybody rejoicing and saying, "There's nothing to worry about," what did they do? They shut down the instruments! The government cut off funding to measure UV radiation reaching the surface! Because that would have been the end of the ozone depletion theory. And Scotto was not even allowed to go to conferences and give presentations anymore! The same phenomenon you see in Norway: no increase or decrease in ozone; no increase or decrease in UV radiation; it has not changed. That's what is generally observed throughout the world. There is a more recent paper that indicates the same thing: no increase in ultraviolet radiation. So, the threat does not exist. It is not there.

The threat from banning CFCs

Now, what is actually going on? This is the critical thing: CFCs are being banned, and nobody talks about the consequences of that. Everybody just talks about the consequences of skin cancer and deaths from skin cancer, and so on and so forth. The fact is that the entire world food supply depends on what is called the cold chain, which is the network of refrigerated warehouses and refrigerators in homes, and supermarkets, and so on, to keep food from spoiling. The world already produces more than enough food to feed every man, woman, and child on the face of the Earth. The problem is that between 30 and 60% of that food spoils every year, depending on what country you're talking about. In the United States, it's 30%. In countries like the former Soviet Union and Central Africa, it's 60%.

By banning CFCs, effectively you're going to have to scrap every single refrigerator around the world over the next few years. What does that mean? A billion home refrigerators, several hundred million commercial refrigerators. That means you're going to collapse the worldwide cold chain. And top people in the refrigeration industry have already estimated the cost in human lives of banning CFCs, and they estimate between 20 and 40 million people are going to die of hunger, starvation, and food-borne diseases every year, as a result of the ban on CFCs. And that is something nobody talks about. And that is going to be even worse, because they are now talking about banning HCFCs, which were the only possible replacement for CFCs anywhere in sight. Anything that could be a drop-in substitute. The HFC 134A that DuPont is marketing cannot be dropped into any existing equipment: It will destroy it.

So you've got to build entirely new equipment. And this is where it gets to the point: Who benefits? You've got a situation in which the chemical industry is going to make hundreds of billions of dollars in revenues every year from the ban on CFCs.

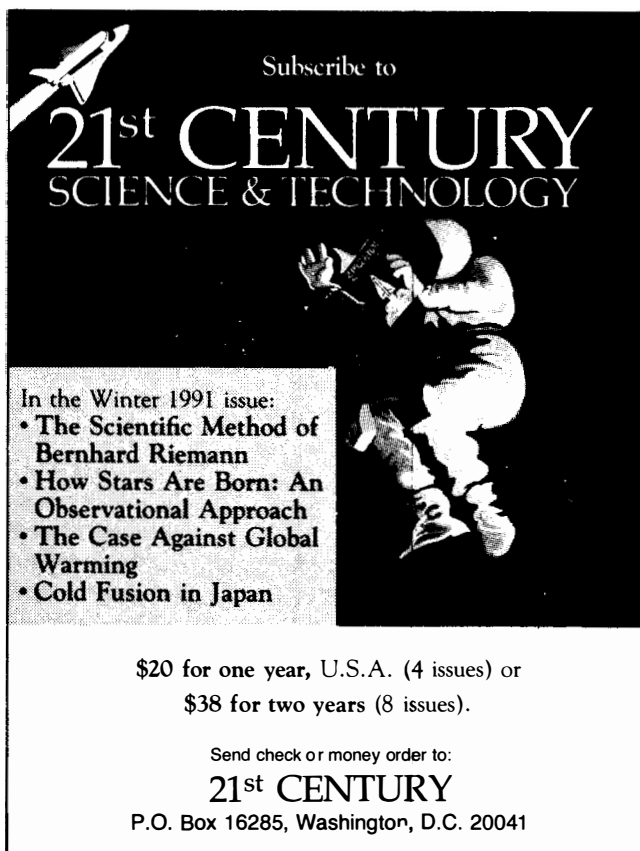
The green new world order

You've got a situation here, across the street [at the United Nations], where, at the Earth Summit, they're going to

create a worldwide environmental order with the ability to deploy military forces to enforce all these laws that are going to be passed [at the Earth Summit] in Brazil, which are basically laws that are going to dictate industrial and economic policy for people in the Third World. And what this is, is saying: "You people in the Third World cannot build fossil fuel power plants, because you're going to increase the global warming and greenhouse effect, and we're going to have global doomsday. You people in the Third World cannot build chemical factories or refrigeration factories to produce refrigerators, because that's going to wipe out the ozone layer," and so on and so forth, [attacking] industrial and economic policies. And the people who are promoting these frauds, the Natural Resources Defense Council, the Worldwatch Institute, World Resources Institute, and so on, are deliberately promoting policies that are fraudulent, to assume power. That is their goal, that is their policy.

In terms of the science, as I pointed out in the book (it's going to be out in a month), I go through it very systematically, chapter by chapter, why every single tenet of the ozone depletion theory is a fraud. And it's been proven to be a fraud by scientific papers that have already appeared in scientific publications, but that the media never report on. My job was to just to interview scientists, collect the papers, put them together, and I've put them in the book. It's all there.

Thank you.



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The case builds against the IMF in Europe

by Nora Hamerman

On the weekend of March 7 and 8, congressmen and spokesmen of various parties from Poland, Ukraine, Hungary, Germany, Italy, France, and other countries met in Kiedrich, Germany for a seminar to address the need to transform “into an economically secure future for the people,” the freedom which has been gained in “the breathtaking upheavals in the past three years, the breakdown of the communist system in eastern Europe and the disintegration of the Soviet Union.”

The group, which calls itself “New Europe Working Group—Peace Means Development,” will be headquartered in Budapest. Dr. Tibor Kovats was named Speaker for 1992. The group announced three goals: 1) Great infrastructure projects—to immediately take up transportation (high-speed trains, the magnetically levitated train), waterways, communications networks, and energy supply to create new jobs; 2) to make available the necessary financing through productive state credit creation; and 3) to remove the obstacles to development resulting from IMF conditionalities, through the sovereign decisions of elected governments.

The urgency of this effort was underlined by the spiraling economic breakdown of central and eastern Europe, where the new governments have jumped out of the communist frying pan into the fire of International Monetary Fund loan conditionalities and the “shock therapy” applied by pro-IMF advisers.

In an interview with the London *Times* on March 17, President Lech Walesa admitted that Poland’s leaders are split between those who want to push hard with a Thatcher-style plan for a full-fledged market, and those who want a “Christian social market economy,” with protection for domestic manufacturers and farmers. Prime Minister Jan Olszewski belongs to the second faction. The first group is favored by the IMF and would require a form of benign authoritarian leadership. What Poland wants the least is “all sorts of trash flowing into our country from the West. We want to produce things ourselves. If the West understands this as discarding market reform, then they are right,” Walesa said. The IMF “has got it wrong,” he added: “The program suggested by the West does not meet the Polish



Shoppers lined up for food in Poland in 1989, before the IMF stabilization measures. Today the lines, and the economy of shortages are gone—but at the cost of a deep recession from which there is no recovery (article, p. 26).

solutions and needs: It's simply incorrect."

Yet on March 17, Polish Finance Minister Andrzej Olechowski announced at a press conference in Washington that he had come to make sure that the budget the Polish government will send to the Sejm (parliament) would not clash with the IMF agreements, and that the measures in the budget dependent on IMF-World Bank funding would get that funding. Olechowski, who met with IMF Managing Director Michel Camdessus and U.S. State Department officials, said that agreements had been reached with the IMF. An IMF mission will go to Warsaw to monitor the situation and to set up an extended fund facility.

When the epitaph is written on the IMF-dictated shock therapy imposed on Russia by Deputy Prime Minister Yegor Gaidar, it may well quote the proverb: "Sow the wind and reap the whirlwind." Two main institutional poles of resistance are leading the backlash against austerity: organized labor, led by non-communist, independent trade unions, and an angry officer corps and professional enlisted cadre of the Armed Forces.

The real opposition does not include the band of elderly communists, who from February to early March clamored for a "return of the Soviet Union." This pathetic movement reached its end on the very day when it meant to score a comeback, March 17. It had called a mass rally in Moscow and the "convening of a Sixth U.S.S.R. Congress of People's Deputies." The masses never showed, and the forlorn collection of several thousand diehards, unable to find a hall for their "Congress" in Moscow, proceeded to a state farm out-

side the capital, where the villagers greeted them with epithets, and turned off the hall's electricity.

The government barely evaded a showdown with industrial labor through the last-minute postponement of a general strike, set to begin March 11, by the entire industrial plant and public sector work force in Russia's Kemerovo region of western Siberia. The region includes the famed Kuzbass coal fields, the scene of the great miners strikes of 1989 and 1991 which hastened the demise of bolshevism. The general strike of 1 million workers would have been the first region-wide "indefinite," as opposed to a mere warning, strike in Russia since 1917.

Russia's military is furious at the mass demobilization of officers and soldiers by the Gaidar budget cuts, throwing them into a civilian life without jobs or housing. The lifting of price controls has wrecked their living standards. According to February statistics released by the Armed Forces, 200,000 soldiers and their families are living in makeshift temporary facilities. Unrest in the officer corps was at the top of Russian President Boris Yeltsin's agenda during his March two-week working vacation at Sochi on the Black Sea. His first act upon returning to Moscow March 16, was to issue a decree forming a Russian Defense Ministry, appointing himself as Russia's defense minister, as the prelude to formally creating a national Russian Armed Forces.

Below, we present two critiques of the IMF's method. The first provides a devastating post-mortem on the IMF's diagnosis and remedies in Poland. The second, a broader overview, was presented to the working group's seminar.

Theoretical foundation of the stabilization program in Poland

by Prof. Stefan Kurowski

Below is the Inaugural Lecture for the 1991-92 academic year, delivered at the Catholic University of Lublin, Poland on Oct. 20, 1991. The translation, by Dr. Tomasz Mickiewicz, has been slightly edited by EIR's staff, and subheads have been added.

When I accepted the honor of presenting this inaugural lecture for the beginning of the academic year, I proposed as a subject the review of the theoretical background of the economic policy pursued in our country for the past two years and the comparison between this policy and the economic situation at the present time. I made this choice because I thought that the scientific and at the same time civic reflection on the present state of the economy is now the most important and urgent task. To consider this subject at the Catholic University of Lublin has also a moral dimension—it serves as testimony to the truth.

The state of our economy is such, that in organizing an economic conference a month ago, the Committee of Presidential Advisers had chosen to entitle it, "Polish Economy—The Need for Emergency Plan." We are now reconsidering the results of the same stabilization plan, which two years ago was thought to be such an emergency plan. That program, announced three weeks after a new government was formed in October 1989, was then entitled "The Program of Stabilization and Systemic Changes." After two years not much systemic change has been accomplished, but the stabilization program has been realized consistently, with well-known results.

Obviously it is almost impossible that a complicated program of profound changes in regulations of the whole economy, embodied in several broad parliamentary bills, could have been created at short notice in a few weeks. It was prepared earlier and taken from a rich set of programs of the International Monetary Fund (IMF). What did this program consist of, and what were its main economic prescriptions? Admittedly, some of its elements, announced in the fall of 1989, were reasonable and fit well into the process of trans-

formation of the Polish economy from a centrally planned and socialist one into the market, although yet not capitalist, economy. Those positive measures consisted of further liberalization of prices, restricting or eliminating budget subsidies for many goods and services (started already by the previous government), canceling of the still remaining central directives allocating quotas for the enterprises, and also introducing official convertibility of the zloty by making available to importers the convertible currency earned by exporters. Moreover, there was a prohibition on borrowing from the central bank to cover budget deficits, at a zero interest rate.

But the other elements of the program, although they were at the time accepted by the society, were dubious, and their continuing implementation after the first quarter of 1990 proved damaging. The main slogan of the program was suppressing inflation, which then reached a hyperinflationary double-digit monthly rate, thus interfering with normal life. But nobody explained to the society that this hyperinflation was only partly a result of a budget deficit, financed by the newly printed, unbacked money and a result of the previously existing, huge forced savings, but was mainly an effect of liberalization of prices and of eliminating budget subsidies. It was a necessary "corrective inflation," the cost of abandoning the communist system, and it reached the highest peak of 80% on the monthly basis in the first month of implementation of the program, in January 1990. This inflation had a tendency to diminish since most of the price corrections were realized, and the forced part of savings depreciated by two-thirds because of the past inflation.

The 'fight against inflation'

But it was especially with the slogan of continued fight against inflation, that the stabilization program copied from the IMF portfolio undertook its fiercest attack, ostensibly oriented toward suppressing inflation, but actually leading to suppressing the economy: An extremely deflationary policy was introduced, narrowing and even partly closing the channels by which money flows into the economic system. The

society was allergic to inflation and desired above all to have the zloty stabilized; therefore the cataclysm which as a result of this operation befell the Polish economy was met with heroic coolheadedness: In one month the production decreased by 31%, volume of trade by over 50%, real wages by 30%, and prices, as I mentioned before, increased by 80%.

How did it happen? A few simple measures were introduced: The interest rate on loans was increased to 38% per month, the wage indexation was permitted to be only 0.3, and the freely convertible zloty was recklessly devalued by setting the exchange rate at 95,000 zlotys per dollar. The consequences were striking, but not as predicted by the government. In the domestic market, the gigantic barrier of demand was created: The industrial firms had no money for working capital and even for wages, the trade enterprises had no money to finance inventories and in effect to purchase the supplies from producers, the consumers did not have enough money to buy finished goods, and producers had no money to pay for intermediate goods.

The enterprises reacted predictably by reducing production; they had inventories of unsold products anyway. There is no enterprise that can keep on producing more than it can sell. The trade firms constrained their transactions, the transportation enterprises reduced the number of connections, the households constrained their budgets, and the real savings decreased to an equivalent of one month's expenditures. Farmers as producers were left with their milk, meat, wheat, and potatoes, they couldn't sell, and those who had taken bank loans discovered that they were bankrupt. The deep economic recession started, and the first half of a million unemployed appeared.

Those developments did not surprise the authors of the program, nor those who implemented it. The results were intended to be, and indeed constituted the core of prescriptions applied to the client countries of the IMF. What was the purpose? The primary purpose was to achieve the external equilibrium of the country, and secondarily its internal equilibrium. Equilibrium is a state when on the domestic market, supply and demand are equal, and in foreign exchange, there is at least a zero or positive balance of trade, and later also a balance of current payments.

This objective was accomplished. The domestic market attained an equilibrium. Production and supply drastically decreased, but it was still enough to match the demand, which decreased even more. Besides, the previously unaccounted-for, exploitative export of food to the U.S.S.R. ended, thus adding to the market supply of food. The waiting lines of shoppers disappeared, and the economy of shortages, which was the core characteristic of central planning and socialism, disappeared.

This represented a tremendous change; the impact was at once felt by everyone, but the economic costs—deep recession—affected mainly the employees of the enterprises

struck by the crisis. And because the decrease in incomes was initially compensated by using up previous savings, the people accepted the negative aspects of the market calmly.

Far more important for the program, however, was the attainment of external equilibrium. The high rate of the dollar, three times higher than the purchasing parity ratio and the resulting barrier of demand on the domestic market, led to growing exports and stagnant imports. Enterprises exported everything possible. Surplus on a current payments account grew from month to month and reached in the beginning of 1990 almost \$4 billion, which had never happened in the

The advisers from the IMF do not know the reality of the Polish economy and cannot help us. . . . In total, the benefits of having our economy under the control of the IMF consist mainly of some political and psychological comfort.

days of planned economy. Obviously this large surplus (deposited at reliable, but low interest rate-bearing accounts in foreign banks) created an additional inflationary pressure: The goods were removed from the domestic market, and the zlotys earned by the exporters to the West were pumped into circulation. The achievement of internal and external equilibrium as such should be evaluated as a positive event for any economy. The question remains nevertheless, if the enormous cost of recession occurred by chance, as a temporary by-product of stabilizing the economy, or if it is an immanent part of the IMF's stabilization program. To answer this question, we should look at the theoretical foundations of those programs.

The issue of absorption

The main objective of IMF programs is to achieve the balance of payments; the theory first identifies the factors which have impact on this balance. Since the balance is structurally determined by income and absorption, it depends on these two variables.

Absorption, according to its definition, is "the sum of expenditures of domestic residents on domestic and foreign goods and services" (or to put it differently: the sum of private consumption, domestic investment, and government expenditures). What is left from the income reduced by the absorption is the net payment balance. Obviously the intent of the program is to have a net that is positive and as big as possible. External equilibrium is thus guaranteed; in the standard IMF notation, we have the following equation:

$$CA = I - A$$

where: CA = net foreign trade,

I = national income, and

A = absorption.

An unclear and not operational concept of absorption was a weak point of this approach. To make this operational, the Monetarist School proposed a description of the same equation in monetary terms, developing the so-called monetary theory of balance of trade. The market economy is a monetary type of economy, and all changes in real quantities have also their monetary aspect. Monetarists think that the growth of national income is proportional to the growth of demand for money, and the demand for money should in equilibrium be equal to its supply. The supply of money consists of two parts: the stock of domestic money originating in domestic credits (so-called net banking domestic assets) and foreign money, that is, foreign currency reserves. This is described by an equation of differences:

$$dM = dR + dD$$

where: M = total stock of money,

R = foreign currency reserves,

D = domestic credit.

It follows from the above, that $dR = dM - dD$, so that the increase of foreign currency reserves is equal to the increase of the money stock reduced by the increase of domestic credit.

When we take into account that foreign currency reserves are determined by the balance of trade, we establish by the same token a link between income and absorption theory on the one hand and monetary theory on the other. The increase of the domestic credit is nothing else but our absorption, that is, the spending of "domestic residents," while the increase of foreign currency reserves, that is foreign assets, is just a surplus in the foreign trade balance—the key variable in establishing the equilibrium.

This is what the theory says, in a few purely tautological equations, which are meant to explain "how it is." But the IMF programs rely on the same theory to also prescribe "how it should be." And since the surplus in the balance of trade should be positive and as large as possible, it follows that at the same time absorption should be constrained, which of course means restricting domestic credit. In this way the IMF stabilization program found the variable which it can control, and the theory says, that for achievement of IMF objectives the value of this control variable should be restricted and reduced.

It is only in this context that we may understand why the main attack of the deflationary policy of the government was directed against credit activity, not only through the use of drastically high interest rates, but also by application of limits and credit ceilings and by mandating higher obligatory bank reserves. All of that was to diminish absorption. However, the link between the increase of bank credit and absorption is not exact in the post-socialist economy, in which the main role is played by the state-owned enterprises capable of ex-

tending mutual trade credits outside the banks. Therefore, the second direction of the attack on "absorption" was directed against wages through a punitive tax on wage increases (the so-called *popiwiek*).

The outcome of this radical deflationary policy is that too small a quantity of money is pumped into the economy. The authors of the deflationary program did not understand that a capitalist economy needs more money than a socialist one, because there is no free allocation, and everything must be bought with money, and the full price has to be paid. The deficit of money in an economy which is becoming market-based and capitalist leads to recession crisis and decline.

To see how it happens, we will go back to the already presented absorption and monetary theory of the balance of trade. It is not necessary here to examine the known weak points of the monetarist quantity theory; suffice it to use the equations described above. As usual in the mathematical descriptions of this type, we have here minuend (I), subtrahend (A) and difference (CA), and if the subtrahend is smaller, the difference increases. But this kind of result could not be directly applied to the dynamic economic quantities, which are denoted by the symbols in the equations; the meaning and links between them should be taken into account. Without this it would be only deductive juggling so frequently found in mathematical economics. In this case, the amount of subtrahend, i.e. absorption (domestic credit), affects the magnitude of the minuend, i.e. income, so that

$$I = f(A).$$

Constrained absorption (domestic credit) results in diminishing of income, as may be seen in the present recession and decrease of our national income by 12% in the previous year, and by a further 10-12% this year. But the national income (I) is also the source of the surplus in foreign trade, which is a condition of external equilibrium. Decreased domestic credit causes recession and a drop of national income and, through a feedback, hits precisely the foreign currency reserves. Don't the authors and executors of the stabilization program see that?

Yes, they see and understand it. But in defense of their policy, they resort to an argument that is as simple as it is cynical. They contend, namely, that in this situation, the decrease in income will be smaller than the decline in absorption, so that the rest, that is, the surplus in the balance of trade, will still increase. (This is not unlike the well-known and cynical slogan during the Martial Law period: "The government will feed itself.") Moreover, they think that with the decline of national income, it will be easier to reduce the absorption. Thus it pays—from this point of view—to decrease income, driving the economy into recession. This conclusion is clearly formulated in the theoretical basis of the stabilization programs.

We may see from this, that a recession and the deep decrease in national income in the last year and this year (1990 and 1991) has not surprised the authors and executors

of the program, but was intended. The announcements that a boom will come after half a year and that income will drop only by 5%, were deliberately misleading. It is also understandable why the government accepts so calmly successive reports on the second wave of recession, which started in our country after April 1991, when industrial production decreased accordingly by 12, 14, 16, 18, and 22% in September, in comparison with the respective months of the previous year.

The question arises: Why, in most of its programs, does the IMF stress so strongly the goal of restoring external equilibrium, even at the cost of a decline in the economies of the countries implementing those programs? Officially it is for facilitating the development of international commerce, because the trade deficits (just as with big surpluses) make foreign trade more difficult, and as a result inhibit the economic growth of each country and of the whole world economy. This explanation is not sufficient to answer why the IMF is so determined to restrict the absorption, that is, simply to reduce the level of income of the society (60% of absorption consists of household expenditures). This determination of the IMF may be explained by something else: debt repayment. All the countries, for which the IMF provides its "good services" in the form of stabilization programs, are indebted to the large foreign banks, and the surplus in foreign trade gained by the debtors at the cost of their absorption has to go for repayment of debts. This also holds true for the case of Poland. This is the main objective to be achieved.

At present, we see the second phase of diminishing absorption. The first phase saw the violent decline of real wages, social transfers, and a depreciation of savings; in the second, present phase, the incomes of enterprises are being attacked, investment is decreasing below the replacement level, and the state budget has collapsed, so that there is drastic reduction of social and administrative expenditures. Pensions are endangered, the communal investment is at the minimum level. Especially characteristic and "instructive" is the operation with the budget of the state. Since April of this year it unexpectedly happened that the taxes are not being paid in, and there is no money in the budget. A budget deficit appeared, at first small, then growing, and the budget begun to delay various payments. Austerity measures were introduced in education, science, culture, health; there is a discussion about closing schools and hospitals. The budget was modified by the Parliament; expenditures for the Army and police were drastically cut. It is nothing less than a catastrophe.

Who can argue with the 'invisible hand'?

The protests are weak, because the argument that there is no money paralyzes everybody. This argument seems to be as objective as the laws of nature, and nobody can protest against the laws of nature, for instance, against an earthquake. And there is really no money in the budget. In such a way, the previous welfare state and all its public administra-

tion were hit at once by the argument of *fait accompli*. Absorption was decreased also in this field, which appeared most difficult to change, since it is protected by constitutional decrees.

Obviously a situation of a budget collapse should have been expected in a situation of persisting recession in the enterprises, which are the main taxpayers. It was not, therefore, an unpleasant surprise, but coolly awaited developments proceeding according to the prearranged scenario.

It is characteristic how differently people react to the poverty created by the present, partly market system, in comparison with their reactions toward the previous, socialist-planning one. Then, there was a concrete responsibility and the concrete addressee of protests against the evil—the state. Now, it seems that only market forces are acting; they are impersonal, so people quietly take the information, that for instance the lack of money makes it impossible for the hospitals to pay for electric power, so possibly they may need to be closed.

The method of diminishing national income has proven very effective in restricting absorption in its most elementary components. After the declarations of the government, that there is no money, nobody asks why there is no money; when the market forces lead to the bankruptcies of the enterprises, it appears only as an invisible hand. But meanwhile, this invisible hand, unlike the proverbial Themis, the goddess of justice, is not actually blind. It acts selectively and purposefully—that is, not objectively—using arbitrarily selected parameters: interest rates, taxes on business wealth called "dividends," punitive taxes on wages, and credit ceilings, directly copied from the central planning system. Those parameters do not result from any market law of supply and demand, but are programmed for suppressing absorption, and in the process they damage the economic potential, prolong recession, and from the thus-suppressed economy extract the surplus in the foreign trade for repaying the debts.

This policy of persisting and deepening recession, the 2 million unemployed, the decline in real income, a crisis in agriculture, is now sharply criticized. Proposals for change are formulated. Answering this, the government defends itself, mainly by referring to the agreements signed with the IMF—the so-called letters of intent, addressed to the IMF, in which detailed Polish obligations are present, describing monetary, credit, and exchange rate policy, fiscal, budget, and income policy, the policy of foreign trade. The form and content of these letters is such, that it means that the sovereignty of the state in the economic sphere is ceded to the IMF. The obligations accepted by Poland in the letters of intent are periodically verified and supervised by the IMF; the Polish government explains scrupulously why there are any deviations in implementation.

The question arises, why this should be so? What do we get in exchange? Obviously, we get specific help in the form of advisers—the officials of the IMF, partly paid by the IMF,

which are here to assist us in market transformations. Next, the IMF supported us in our efforts for a debt reduction. The certifications by the IMF that we are dutifully implementing the stabilization plan, were necessary for the agreement of government lenders to the reduction of our debt by 20%, and conditionally by a further 30%. Backing from the IMF was also necessary, to obtain capital loans of \$6 billion. And, at last, the IMF gave us the stabilization loan of \$1 billion value to protect the exchange rate of the zloty.

Are IMF advisers worth the cost?

Is it worth it? The advisers from the IMF do not know the reality of the Polish economy and cannot help us. They only monitor the fulfillment of conditions stipulated by the letters of intent. The amount of debt due to government lenders was reduced so far by one-fifth, but for this, we are obliged to start paying interest again, and this year we have to pay in two installments, over \$700 million (from the exhausted budget!). Out of the promised new foreign loans, only \$200 million were actually obtained, as a result of difficult conditions necessary to use them, but a fee of 1% of the whole amount must be paid annually. Thus, this credit is very expensive. As to the stabilization loan, it was not at all necessary, and is an illusory assistance. In total, the benefits of having our economy under control of the IMF are meager and consist mainly of some political and psychological comfort, that the world-renowned institution assists us in transforming our economy.

This comfort is nevertheless very costly, as this stabilization policy brings us to ruin. The losses that we suffered because of the declining real income can be evaluated in dollars. The national income dropped by 25%, i.e. \$40 billion, so it is several times more than what we received not only as real help, but even as promises. For the next year the government anticipates a further decline in economic activity and national income. However, the structure of production and branches of the economy changed only slightly. The recession turned out to be completely unproductive from the mere structural point of view. The structure of property of the economy, except in trade and services, also remained state-dominated.

What can be done, and is it possible to do anything? We have an emergency program for the economy, but we do not have a political setup for its realization. Perhaps the upcoming elections will change the situation. But we cannot rely only on this. We have to turn for help to those forces in the nation with intact authority. The Church is such a force, although it is not by accident that it is becoming now an object of growing attacks. The Church can legitimately voice its views on social and economic issues. The reason for this is the Social Teaching of the Church. In these hard months, we should hear the voice of the Church and its Catholic Social Doctrine: the voice against the crisis and against the policy which led to it.

The IMF and the illusions of 'free market' magic

by William Engdahl

The following is, slightly abridged, a speech to a group of East European parliamentarians and economists on March 7, 1992.

Unfortunately, one illusion prevalent in many countries of eastern Europe is that the International Monetary Fund will help to rebuild the damage of decades of Moscow-dictated imperial economic policy, that the IMF is somehow a "friend" which will help to improve the standard of living and foster industrial reconstruction. This illusion could well destroy the possibility of real improvement in eastern Europe if it is not addressed urgently.

On Jan. 2, the government of Russia imposed what is called "shock therapy" on its economy. Economics Minister Yegor Gaidar followed the program outlined for him by a radical circle of western monetarist economists, led by 36-year-old Harvard Prof. Jeffrey Sachs and Swedish economist Anders Åslund of the Stockholm School of Business. The Russian government proceeded to float prices on most food and other essential goods. According to eyewitness accounts, since January, prices in Russia for critical items have multiplied between 10 to 12 times their earlier "pre-shock" levels.

The program which Sachs demanded of the Russian government was worked out in direct coordination with the demands of the International Monetary Fund (IMF). In their December 1990 special report to the Group of Seven (G-7) on the U.S.S.R. economy, the IMF stated, "Ideally, a path of gradual reform could be laid out . . . but we know of no such path. . . . The restoration of financial stability will require a very sharp reduction in the deficit of the general government . . . absorption of excess money holdings [i.e., confiscation of private savings], a strong freeze on credit creation," and interest rates higher than inflation rates. The IMF report admitted, "Financial stabilization by itself does nothing to establish a market." The IMF demanded that this so-called "stabilization" be accompanied by a "rapid and comprehensive price liberalization" and "rapid progress toward trade liberalization." All this, they admitted, "cannot be implemented without an initial decline in output and em-

ployment.”

What is this IMF policy and what is the intent regarding the economies of eastern Europe today?

The ‘Bretton Woods’ system

The IMF, from its inception, has been a creation of a tight-knit group of countries dominated by the United States and Britain. In July 1944, some 44 allied countries met in New Hampshire and were arm-twisted or persuaded, sometimes with great effort, into approving a draft worked out by Britain’s John Maynard Keynes and America’s Harry Dexter White. No neutral countries were invited. Fully half (22) of the delegate countries, were from Washington’s sphere of influence, including most of Ibero-America, Liberia, and the Philippines. Six more countries followed England as members of the British Empire (India, Canada, New Zealand, etc). It is little wonder then, that the resulting institution set the “rules of the game” for a postwar monetary system to the overwhelming advantage of the U.S.A. and Britain—an Anglo-American hegemony. The IMF and World Bank were to be dominated by a blocking minority control of the U.S.A. and England.

As of today, despite the clear decline of its economic importance, Britain still controls the second-largest share of votes in the IMF (6.6%), and by far the largest controlling share or vote is still held by the United States—19%. Under the IMF Articles of Agreement, London and Washington control more than one-quarter of total votes. The rules are written to allow this to be a “blocking minority,” which effectively controls any attempts to change IMF rules. For key policy changes, a minimum 85% vote of members is needed. In effect, despite appearances of broad membership of more than 155 countries, no major IMF policy is decided unless Washington desires it.

Under these IMF rules, the risk of the newly liberated countries of eastern Europe and the nations of the Community of Independent States (CIS) losing their national sovereignty is every bit as great it was as under the Red Army occupation of Stalin. This may sound harsh, but I ask you to bear with me. Today, unfortunately—and I say this as an American—the policy of Washington is to use the IMF as an economic policeman to keep other nations from exercising real economic independence.

A Frenchman, Michel Camdessus, is the managing director, nominally the head, of the IMF. But the vital economic policy post at the IMF is always held by an American.

The man who controls IMF economic policy and determines IMF evaluations of each country’s compliance is an American, an exponent of the radical monetarist dogma of Milton Friedman. His name is Michael Mussa. Mussa is only 47 years old, but, as economic counsellor and director of IMF economic research, he is literally responsible for the destiny of whole nations. His teacher, Milton Friedman, advocates a radical anti-government libertarian free market.

Friedman has been the main influence on the radical deregulation of the U.S. economy under Ronald Reagan, and in Britain under Margaret Thatcher. Friedman’s radical anti-government *laissez faire* policy ruined both the U.S. and British economies. The model for Friedman and his school is the military dictatorship of Augusto Pinochet of Chile, for whom he was the key adviser. This you can all confirm independently. But this is the kind of economics which dominate the IMF. Keep in mind also that the IMF has its headquarters in Washington.

The IMF as debt policeman

Ironically, towards the end of the 1970s, many in the West began to argue that the IMF had outlived its usefulness. Since 1977, no major western industrial country has drawn on IMF funds for balance of payments problems. Then came the Ibero-American and Third World debt crises in 1982, and Washington decided to use the IMF for a role quite different from its original, namely to ensure repayment of foreign debt by countries with a deficit of capital. This is what the IMF is attempting to force today on the economies of eastern Europe.

In 1982, the large New York banks convinced President Reagan to use the IMF as the policeman to collect the Ibero-American debts owed the banks.

Understand how this has worked: Since 1982, Third World debt has grown from \$800 billion up to \$1,300 billion today. But not one penny of new lending has been given to Argentina, Brazil, or other Third World nations. All loans are earmarked for “restructuring” of the unpaid part of the old debt, plus interest, added onto the future debt burden. The IMF has been at the center of this process every step of the way, as has Henry Kissinger and Washington. Yet, in six years, from 1980-86, the Third World had repaid \$658 billion already on its foreign debt. They have been put in a suicidal debt trap. The only way out, as with Mexico, has been to surrender all vestiges of national economic sovereignty.

The IMF comes into a victim country and always says the same thing: Balance your payments, cut state spending. Why? To “balance” your payments. Then, it says, devalue your national currency. Why? To flood the world with cheap exports, to earn dollars, to repay the New York and London banks their debt. No matter that your economy desperately needs its coal or steel for national development, or food to feed your population. The IMF calls this program, “conditionalities.” The banks call it a “debt workout.” I call it genocide.

Yes, of course, the IMF promises some dollars in future aid—if you agree to IMF austerity programs. That is, at a cost which destroys a nation’s sovereignty in a manner far more efficiently than the tanks of the Red Army ever did.

No ‘reform,’ no money

I cite the case of Mexico, which was forced to default on its debts when the New York and London banks, under Federal Reserve chairman Paul Volcker’s policy, unilaterally

raised interest rates in the early 1980s. Mexico was then told by the IMF and those banks: Devalue the peso to export and earn hard currency, cut your domestic spending to pay the foreign debt. In 1982, Mexico could exchange the peso at 12 to the dollar. Today, it takes more than 2,300 pesos to buy one dollar. Mexico has surrendered its economic sovereignty to the dollar. To pay its debt, Mexico has been forced to open its economy to “free zone” production, *maquiladoras*, in which large multinationals like General Motors use dirt-cheap Mexican labor, often child labor, for assembling U.S. cars and trucks for re-export to the United States. Since the 1982 debt crisis, Mexico has lost half its normal industrial manufacturing jobs—2 million manufacturing jobs—and living standards and health levels have fallen drastically, all on IMF dictates for the New York creditor banks. Mexico is today hailed as the “model.”

The idea of placing the IMF and its strict conditionalities policy at the center of policy on the Third World debt was an American idea, an exact copy of what J.P. Morgan and the Bank of England imposed under the Versailles Treaty and the Dawes Plan in the 1920s on defeated Germany. The IMF plan was developed by an American IMF economist, Irving Friedman, who was later rewarded with a top job at Citicorp. Friedman boasts of his role: “My thought was we would hold out the use of the Fund resources as a kind of carrot to countries. You first hold a very serious review of the country’s economic situation. Identify the source of the difficulties. Then you point out what things have to be changed.”

Thus, the IMF letter of intent is needed before any private bank or western government will even discuss loans with a debtor country. The letter of intent, or the so-called IMF conditionalities, demands savage domestic austerity, cutting state budgets, and devaluing currencies to incredible levels all to pay debts to western banks. The IMF calls this “balance of payments.” It has nothing to do with helping improve the infrastructure and living standards of the debtor country.

Today, fortunately, there are more voices beginning to oppose the shock therapy policy of the IMF and their friends Sachs and Åslund, in addition to our own. I note public critiques from such as Dr. Melvin Fagen, former director of the Geneva Economic Commission for Europe, who has said bluntly, “Shock therapy is the wrong treatment.” As well, the respected Vienna Institute for Comparative Economic Studies, numerous German bankers and businessmen including Axel Rebahn, former director of Deutsche Bank for eastern Europe, and Valtr Komarek of the Prague Academy of Sciences, to cite only a few.

Back in December 1989, the Schiller Institute circulated a white paper to friends in Poland entitled “Monetary Shock Policies of Jeffrey Sachs Will Destroy the Nation of Poland.” That paper exposed the fraud of Sachs, who bases his claims of success on Bolivia, where even he admits that the Bolivian tin industry has been ruined and coca cultivation for international cocaine traffic is booming since his plan was imposed

in 1986. Poland tragically has suffered more than two years of misery since the shock therapy was demanded by the IMF as a condition for renegotiation of Poland’s debt.

Today, Washington, through the IMF, is demanding exactly these same Third World debt collection policies of the nations of eastern Europe—cut the state budget, privatize state industry. These demands have been suicidal for developing economies, in which a central state role is vital. They are equally absurd for eastern Europe. The issue is not, as the IMF or Sachs or Staffan Burenstam Linder and Åslund argue, “central government” versus “free market.” The issue is what is the national economic policy of the country to be. No nation in history has ever successfully built its economy without the national government playing a decisive role. Sachs et al. and the IMF know this, but they play a cruel trick.

What they will never admit is that these same policies of radical “free market,” or *laissez faire* in the West, have destroyed once-healthy industrial national economies. The two countries in the most severe economic crisis since the Great Depression of the 1930s are the United States and Great Britain.

Take the U.S. case. Since Paul Volcker imposed his shock therapy policy of high interest rates on the U.S. economy in the late 1970s, long-term government investment in infrastructure was ignored. Bridges began to collapse. Housing was left to rot. Unemployment was statistically “lied away” by the government. By the end of the 1980s, the America I knew as a young man growing up during the 1950s was no longer visible.

Such policies worked for a while, but now, the lack of real economic investment is taking its revenge. The United States and Britain are in the early stages of what will become, unless Lyndon LaRouche’s economic leadership is allowed to change the policy, the worst economic depression of the century.

Already, in the United States, the number of those unemployed, unable to afford hospital care, addicted to drugs, and so forth, are higher than during the Great Depression of 1929-36. Officially, 31 million Americans today are living “below the poverty line.” Already, the U.S. banking system is in a far more serious crisis than in the 1930s.

Since 1982, the U.S. government, under the Reagan-Bush so-called “economic recovery,” has run up the largest state debt of any government on this Earth. The U.S. federal debt today is more than \$3.5 trillion. And the amount of public and private debt owed to foreigners—foreign debt—is estimated at more than \$600 billion. By contrast, the figure for the former U.S.S.R. foreign debt today is about \$64 billion.

This is the real issue which is never mentioned in G-7 meetings or IMF missions. As the great Danish storyteller Hans Christian Andersen might put it, “The Washington emperor today has no clothes.” But polite citizens fear to say

so. This is our special role.

In short, Washington, with IMF complicity, is playing a double standard. It demands a degree of economic austerity on the fragile emerging economies of the credit-starved eastern Europeans which it would never impose on itself. So long as Washington and London control the decisive power in the IMF, they think they can maintain this policy.

Two final items to note regarding the IMF. First, not every prosperous western country is even a member of the

The most difficult thing, perhaps, for eastern Europeans to grasp is that George Bush's Washington, behind the scenes, has fought tooth and nail to prevent economic success in eastern Europe ever since the dramatic fall of the Berlin Wall in 1989.

IMF. Switzerland, to this day, has refused IMF membership, not wanting to submit to supranational dictates. Second, Russia has been told by Sachs and Åslund that if it holds to its savage price shock policy, it will be admitted to the IMF as early as April when the Interim Committee meets in Washington. Russia is promised that then will come billions of dollars in ruble stabilization money and loans. But the U.S. Congress is refusing to approve a 50% IMF quota increase proposed since May 1990. There is little prospect it will act before the November elections, or even next year. Without this quota increase, the IMF is blocked from giving any funds to Russia or other CIS states. But the IMF and Sachs insist the "shock therapy" and austerity continue.

The most difficult thing, perhaps, for eastern Europeans to grasp is the fact that, unfortunately, George Bush's Washington does not want eastern Europe to succeed economically. It does not want the emergence of an economic zone of prosperity stretching from Vladivostok to Rotterdam or Hamburg, not even from Kiev or Warsaw to Bonn. Washington, behind the scenes, has fought tooth and nail to prevent economic success in eastern Europe ever since the dramatic fall of the Berlin Wall in 1989.

The sad reality is that Washington is economically bankrupt, but holds onto its military domination in an effort to pressure western Europe and Japan to try to slow the process of development. It has adopted the foolish model of nineteenth-century British balance-of-power diplomacy—dominate the world through divide and conquer tactics. Continental Europe, centered around the industrial potential of Germany, especially were France to join Germany as a full strategic part-

ner, would present the possibility of building the kind of rail and other vital industrial infrastructure vital to the development of eastern Europe, as LaRouche has stressed since November 1989. Washington is terrified that this might occur.

I cite a brief passage from an article by influential American policy strategist Henry Kissinger, in the March 1 German weekly *Welt am Sonntag*. Kissinger argues that France must stop opposing a larger American role in European defense issues. Kissinger states bluntly his view: "Germany [since unification] has grown so strong, that the present European institutions can no longer guarantee the 'balance of power.' It is in no one's interest were Germany and Russia to oppose one another. But if both powers were to come too close, this would create the danger of hegemonism."

Washington policy is to prevent at all costs the effective collaboration of Germany and continental Europe with eastern Europe—not only Russia. The policy fight goes back to the issues of the 1904-05 Russo-Japanese War, to the British efforts to abort the trans-Siberian railway project of Count Sergei Witte, and to British efforts to use Serbia to block and disrupt the German-Baghdad railway development through a series of Balkan wars in the years before 1914. Infrastructure and industrial technology are the real enemies of this Anglo-American balance-of-power policy.

Let me close with one quote to underscore my point on why the nations of eastern Europe must avoid the Anglo-American free market model, and look instead to the kind of national economic policy which Friedrich List, Henry Carey under Abraham Lincoln, and, today, Lyndon LaRouche represent—a third way between the radical extremes of Bolshevism on one hand, and Adam Smith free market policy on the other.

In January 1990, some weeks after the opening of the Berlin Wall, Wall Street economist David Hale warned of the dangers if the economic reunification of Germany and the transformation in eastern Europe were to succeed. Hale said, "One of the most extraordinary features of Wall Street economic research, during recent weeks, is its complacency about the potential consequences of eastern European economic developments for the global financial equilibrium which permitted America to borrow over \$1 trillion from abroad during the 1980s. . . . When the financial history of the 1990s is written, analysts may look upon the fall of the Berlin Wall as a financial shock comparable to the long-feared Tokyo earthquake. . . . an upheaval, which could ultimately divert hundreds of billions of dollars of capital toward a region which has been a minor factor in the world credit markets for six decades."

Washington and the IMF, in short, are doing everything possible to prevent the real success of eastern Europe's economic reconstruction, for this reason. This is why they give you Prof. Jeffrey Sachs, the IMF, and such wrong advice. Better to build your national infrastructure, and then demand of western Europe that they orient to you, and not to Washington.

Venezuelan 'democracy' decays as Kissinger descends

by Valerie Rush

The Anglo-American banking elite has sent two of its top guns to Venezuela to attempt to shore up its dying "model democracy" on the continent. U.S. Ambassador to the Organization of American States (OAS) Luigi Einaudi flew to Caracas on March 14, where he issued a warning that any "sudden interruption" of President Carlos Andrés Pérez's corrupt reign would face an "immediate intervention" on the part of the OAS. Einaudi's mentor Henry Kissinger appeared on the scene a few days later, in his capacity as a member of Pérez's highly paid Foreign Advisory Board, to assure Pérez that his continued enforcement of the International Monetary Fund's (IMF) free trade and austerity dictates would be backed by the international financial community. U.S. Ambassador to Venezuela Michael Skol reportedly told an array of Venezuelan politicians he met with on March 15 that preventing the overthrow of Pérez's government was, for the United States, "a matter of life and death."

On March 19, the same day Kissinger met and gave a press conference with President Pérez, whole sections of Caracas were occupied by heavily armed police units, and a planned mass student/labor march in opposition to the Pérez government was crushed. Sixty leaders of the march—including students, journalists, and trade unionists—were savagely beaten and dragged off to jail, and scores more were beaten and tear-gassed. Venezuelans poured out into the streets, banging pots and pans and shouting protests at the government's brutality.

The 'handwriting on the wall'

Kissingerian "diplomacy" and police-state repression notwithstanding, the days of the Pérez government are widely acknowledged to be numbered. Since the Feb. 4 coup attempt, President Pérez has shuffled his cabinet three times,

and the last has no more credibility than the first. Indeed, bringing in members of the opposition Copei party—designed to present a semblance of "consensus rule"—has only intensified the population's disgust with *all* political institutions. At the same time, Pérez's efforts to create a paramilitary force to contain the revolutionary ferment in the country have dangerously provoked the Armed Forces, which by law have the monopoly on use of force to protect the state.

Pérez's so-called economic concessions in the aftermath of the Feb. 4 coup attempt by nationalist military forces have been rejected by the Venezuelan population as a farce. "Nothing New," "More Illusions," and "Little Applause, and Many Guards," were some of the newspaper headlines describing Pérez's state of the nation address which outlined his "reforms." The executive committee of the ruling Democratic Action (AD) party only abandoned its efforts to force early presidential elections when Pérez threatened to resign. And, of course, Pérez's pledge to convoke a constituent assembly to "let the people speak," has become a cruel joke in the aftermath of the March 19 police repression.

Even Einaudi's attempt to strong-arm Venezuelans with the threat of a Panama-style invasion appears to have backfired. Einaudi's threat, delivered to an audience of Venezuelan military officers, met with stony silence. One officer, reflecting the hostility of the audience, confronted Einaudi on U.S. policy to dismantle Ibero-America's armed forces. At least three retired generals issued statements blasting Einaudi's threats to national sovereignty, and Defense Minister Fernando Ochoa Antich, a consistent supporter of Pérez, was obliged to declare his "categorical rejection of the intervention of any foreign country in a situation in which some group, whether military or civilian, comes to power by force."

The backlash against Einaudi's "Big Stick" diplomacy

was such that U.S. Undersecretary of State for Inter-American Affairs Bernard Aronson, when publicly questioned about Einaudi's threat, was forced to declare the idea of a U.S. invasion of Venezuela "ridiculous."

The rebellion spreads

The Feb. 4 coup attempt in Venezuela did more than pull the plug on Pérez's rotting government. A rebellion against "International Monetary Fund democracy" now appears to be breaking to the surface in Bolivia as well. Communiqués signed by a "Bolivarian Military Movement" and modeled explicitly on the Venezuelan rebels have been sent to the Army high command, the Bolivian Congress, and Bolivian Labor Confederation (COB) denouncing "corrupt democracy" and U.S. efforts to "eliminate the armed forces of Latin America," among other things. On March 19, EFE news service quoted military sources on the imminence of a coup attempt in that country. Mass protest demonstrations and labor strikes against IMF austerity are simultaneously exploding across the country, and have already forced President Jaime Paz Zamora to replace more than half of his cabinet.

In Colombia, a tax reform which will drive that country's economy irrevocably into the hands of the drug cartels and impoverish what remains of the country's middle and working classes is now at the center of a huge political brawl. Like his Venezuelan counterpart, Colombian President César Gaviria insists that strict adherence to a brutal austerity regimen and to the free trade "opening" of the economy must take priority over any desire for "popularity" with his countrymen.

In Argentina, President Carlos Menem's assertions that nationalist military men, whom he called "Nazis and fundamentalists," were involved in the March 17 bombing of the Israeli Embassy, reflects his fear that a Venezuelan-style revolt could be on the agenda for his country as well.

The arrogance of the international banking elites regarding the crisis in Venezuela has blinded them to both the causes of the revolution now sweeping that country, and its implications elsewhere. One prominent international banking consultant insisted that the problem in Venezuela is that its population "is spoiled. . . . People elsewhere in Latin America have a lot more patience" with IMF austerity dictates. He was confident that the revolutionary forces in Venezuela were not part of a continent-wide movement, even while admitting that a military coup in Venezuela might have a "domino effect."

A fellow consultant found it incomprehensible that Venezuelans weren't pouring into the streets in defense of their "democracy" and their "economic boom." She warned that in the event of any "backtracking" on IMF austerity dictates, "you could forget Venezuela," and insisted that in the event of a coup, "the hemisphere, led by the United States, would establish very, very tight economic sanctions . . . no exports, no imports, zero. . . . Venezuelans should not believe that the hemisphere will stand by and simply debate as they did in Haiti."

Inter-American Dialogue officials Peter Hakim and Richard Feinberg wrote on March 18 in the *Christian Science Monitor* that free market economics and the IMF could not be blamed for the crisis threatening Venezuelan "democracy," but rather a failure of political leadership. Improved "political management" of free-market reforms, they conclude, is the answer.

Superman or has-been?

President Pérez apparently shares the oligarchic illusions of his mentors. In an interview with the March 14 *Miami Herald*, he insisted, "I continue to be a leader with a great deal of popular support. Resigning would be the error of my life, sending the country into chaos." He also argued, "I will never believe that this is a crisis provoked by an economic program. We are convinced that the economic program that we are carrying out is the one that Venezuela needs. . . . All the indicators show that this economic transformation is now permeating all sectors." Apparently, the 60% of Venezuela's population now categorized as "critically poor" do not agree with their President.

The *Miami Herald* also interviewed the secretary general of the Venezuelan Labor Federation (CTV), César Olarte, who observed, "One has the impression that President Pérez came out of the coup attempt as if he were a kind of Superman. He seems to be hearing the complaints, but not really listening to them."

His claims of "a great deal of popular support" notwithstanding, Pérez is apparently taking no chances. According to *El Diario de Caracas* of March 13, the Venezuelan secret police (DISIP) turned a number of remote-control missiles confiscated from the rebels involved in the Feb. 4 action over to thug elements within Pérez's ruling AD party, instead of back to the Armed Forces. The daily *El Nacional* on March 11 reported that the DISIP itself has been "totally rearmed, with weapons of sufficient fire-power to confront any contingency."

Persistent rumors of weapons disappearing from military caches coincide with confidential reports that a paramilitary force is being readied under Pérez's personal direction, involving elements of the DISIP and National Guard, mercenaries, Israeli advisers, and sophisticated weaponry. The daily *El Nuevo País* reported March 15 that the organizers of this Praetorian Guard are the same clique of CIA-linked Cuban exiles who were forced out of Pérez's government a few months ago in one of a string of corruption and drug scandals.

Pérez has also created what one prominent Caracas daily has dubbed "Terror Brigades." In a March 17 editorial, *El Diario de Caracas* charged that the police and the DISIP are working with Caracas Gov. Antonio Ledezma to set up a city-wide thug apparatus "very similar to the 'neighborhood committees'—made up of [Communist] Party stalwarts—which defended the Fidel Castro regime block by block in Havana. . . . And this is called terrorism, anywhere in the world."

United Nations readies strike against Iraqi industry

by Joseph Brewda

Iraq and the U.N. Security Council are on a "collision course," U.S. Ambassador Thomas Pickering threatened after the address of Iraqi Deputy Prime Minister Tariq Aziz to a special session of the Security Council March 12. The session had been called over Iraq's alleged "non-compliance" with Security Council demands, especially those relating to the dismantling of Iraqi industry. Aziz reiterated that, while Iraq would comply with the resolutions, despite their manifest unfairness, Iraq took exception to the demand that it destroy its military industry rather than convert it to civilian use.

Aziz's refusal to budge on this issue was not unexpected. A few hours earlier, George Bush had told reporters at the White House that "if they don't comply, we will contemplate all alternatives," while Pickering told the NBC "Today" show that, with respect to military options against Iraq, "nothing is ruled out."

The session concluded March 13 with a unanimous Security Council condemnation of Iraq. According to the *New York Times*, the Security Council covertly threatened Iraq that it must produce an acceptable plan to destroy its industry by March 26 or face the consequences. As the diplomats debated in New York, the U.S. aircraft carrier *America* entered the Persian Gulf with two escorts. Bush seems to be contemplating some sort of "bold" military action over the coming weeks, timed with this spring's primaries, probably involving a "surgical strike" against Iraqi industrial and research facilities.

In his address to the Security Council, Aziz reported that all of Iraq's weapons of mass destruction had been destroyed, as demanded. Aziz insisted, however, that the demand of a specially appointed Security Council commission that Iraq destroy its military industry, and not be allowed to convert it to civilian use, was an infringement of Iraq's "sovereignty and dignity," as well as its national security. "We are not bargaining over our sovereignty," Deputy Prime Minister Aziz said. "We are not bargaining over our rights to live as a free and independent people." Aziz warned that the U.S. was conspiring to "deindustrialize" Iraq.

Aziz also noted that the special commission, headed by Swedish Ambassador to the U.N. Rolf Ekeus, was making decisions that should properly be made by the Security Council in negotiation with Iraq. "Preserving to the special commission alone the absolute power of issuing decisions," Aziz said, means that Iraqi sovereignty will be infringed upon by "a body

which does not exist in the U.N. charter." Ekeus is an intimate of U.S. National Security Adviser Brent Scowcroft, who, some U.N. diplomats privately charge, actually controls the commission.

On the Today show, Pickering stressed that "the critical point here is not whether facilities are capable of producing material for civilian use, but whether they are capable of being used for prohibited purposes." He said, "The council continues to support the proposition that the special commission, and not Iraq itself, must and will determine which facilities are required under Security Council resolutions to be destroyed."

Iraq had asked in February that the factories which had produced Scud missiles be converted into factories for the production of pressurized vessels for its oil industry and explosives for highway construction. But this is deemed unacceptable.

Ekeus's commission has instead ruled that the factories must be destroyed utterly—including the computers on site and even the buildings. On March 13, Ekeus told the Security Council that he is determined to see the factories completely destroyed. "The Iraqis will find a dual use for anything," he claimed.

Similarly, the United States is demanding that Iraq destroy an alleged "nuclear weapons plant" housed at a scientific research complex in al-Atheer, outside Baghdad. The International Atomic Energy Agency, a U.N.-linked body led by Swedish diplomat Hans Blix, has announced that it is working on plans for destroying the complex. Asked if any of the complex could be saved for civilian purposes, Blix sneered, "Only the cafeteria." Earlier, the IAEA had demanded that nuclear physics instruction and research be banned from Iraq in order to bring "peace" to the Middle East. The IAEA team that Blix had sent to Iraq to gather this data was led by former State Department official David Kay, who reported his "findings" directly to the U.S. National Security Council, bypassing the U.N., as even the Security Council has admitted.

Both Ekeus and Blix are sending new teams to Iraq "very soon," to set deadlines on destroying Scud missile and "nuclear weapons" sites. Both have said that if they encounter resistance, they will report that Iraq has failed to observe the cease-fire agreement, paving the way for a new attack on that battered country.

U.S. policy: Take Iraq back to pre-industrial age

On Feb. 28, the U.N. Security Council issued a new threat to Iraq over alleged non-compliance with Resolution 687 which demanded that Iraq destroy its industry. Iraqi Deputy Prime Minister Tariq Aziz commented on that statement to Republic of Iraq radio on March 1. Excerpts follow.

You know that the Security Council last April issued Resolution 687, which was unprecedented in history. . . . But on account of the threats that our country faced, we said that, despite our principled position on that resolution, we had no choice but to accept its provisions. So, the process of inspection began, and this is the subject of the last statement: the implementation of the portions relating to the destruction of weapons banned by Resolution 687 and related equipment, and the tasks of the inspection teams. Problems contrived by U.S. agents in the inspection teams—David Kay—cropped up; known stories, the facts of which have been presented to the people here in Iraq and around the world. In recent months, however, during July, August, and the months that followed, it had become increasingly clear that our procedures concerning the implementation are proceeding according to practical, systematic contexts. Inspection teams could not find pretexts through which they could trigger storms and fabricate crises.

As time passed . . . there began to appear in the international community clear calls for the easing of the economic embargo against Iraq. Some have demanded a complete lifting of the embargo because they believe the pretexts for maintaining it are no longer valid, and others call for easing of it. . . . The talk about the embargo and the need to lift or ease it began to grow in the Security Council and the U.N. corridors, and began to be raised by the world media and international organizations and figures. . . . In December and early January, we . . . thought about drafting a letter to be sent by the foreign minister to explain everything that had been implemented as part of Resolution 687, for the Americans and their allies in the U.N. Security Council and agents in the inspection teams and the special committee kept saying that Iraq is still not abiding by so and so and is still not implementing so and so.

The policy we followed was to implement, objectively and precisely, the measures that were imposed on us in order

to deprive the United States and its allies, and the tendentious quarters in the U.N. agencies, of any pretext for maintaining the embargo.

The foreign minister's letter encompassed everything that had been accomplished in terms of implementing the provisions of Resolution 687, and a great deal had been accomplished. At the end of the letter, the foreign minister said that this was what had been accomplished and that we ask the Security Council to send a team of workers to verify it.

United States enforces continuing embargo

When this Iraqi proposal was presented at the council, some council members considered it a legitimate, pioneering, logical, and practical proposal. When America and its allies realized that there was a growing call to lift the economic embargo on Iraq, and when they saw that there was a daily growing and widening understanding of Iraq's position before and after the aggression, they began to thwart the Iraqi initiative.

During this period . . . we heard on the news that [Swedish Ambassador to the U.N. Rolf] Ekeus, the head of the special committee supervising the destruction of weapons and the provision in Resolution 687 on weapons and equipment used to manufacture weapons . . . had met with [Brent] Scowcroft, the adviser to the U.S. President on national security affairs. . . . For no reason or any problem whatsoever, in February, the Security Council president [then Amb. Thomas Pickering], who is an American, asked Ekeus to present a report to the Security Council on the observations of the special committee. Ekeus went to the Security Council and presented a biased report. Everything that was accomplished between April and February was summed up in one line. He said that despite some progress, Iraq is this and that—a series of accusations, fabrications, and fallacies. . . .

As usual, what Ekeus said was repeated by the Americans and the British. Without any reason, they issued a U.N. Security Council statement on Feb. 19 which said that Iraq had not fulfilled its obligations under Resolutions 687 and 787 and on this basis Ekeus should be immediately sent to Baghdad to deliver a message to the Iraqi government.

Tariq Aziz's meeting with Ekeus

In the middle of February, Tariq Aziz flew to New York to meet with Ekeus on the alleged lack of implementation of the U.N. resolutions. At the meeting, Aziz reported the following exchange.

Resolution 687 imposes on Iraq the destruction of all the weapons that the resolution bans: the long-range missiles and chemical weapons. Were all these not destroyed? He [Ekeus] replied in the affirmative. He said, Well, there are accusations. I asked Ekeus, But you and the inspection team supervised the destruction of a long list of weapons that are banned. Have you communicated this to the U.N. Security Council?

What is the objective?

Regarding equipment used to manufacture weapons, Aziz reported that he told Ekeus the following.

Over the past year there has not been an establishment which they have not visited more than once—surprise visits—and they marked every piece of equipment they inspected and claimed had been used or could be used to produce weapons. Some of these have been destroyed, and what remains has been marked and is inoperative. . . . On the basis of this reality, the U.N. Security Council must lift the economic embargo on Iraq because U.N. Security Council Resolution 687 stipulates this.

Ekeus said, We want to ascertain that Iraq will not be able to produce such weapons. . . . We the special committee should have complete power over all that the committee believes necessary. Every piece of equipment we decide has been or will be used to produce weapons.

I told him that when I met [Secretary of State James] Baker in Geneva [in January 1991], he threatened that they would take Iraq back to the pre-industrial age. I asked him, Does the Security Council seek to prevent Iraq from producing that type of weapon?

I said, Is the aim of the Security Council to make Iraq a deindustrialized country, in line with the Baker plan? Or is your task to prevent Iraq from producing the banned weapons and to verify that Iraq is following the U.N. Security Council resolution? If your objective is to verify that Iraq is not producing the weapons banned by the U.N. Security Council, then we have no objection because we abided by that resolution, and there are practical and technical means to enable you to do so. But there is a difference between this and destroying Iraqi industry.

So I told Ekeus that they could come and verify if this equipment is used for civilian or military purposes, or for military purposes not banned by the U.N. Security Council resolution. I said that if you want to eliminate Iraq's industry in order to achieve the objective stated by Baker in Geneva, then this is a different matter all together. This can never be accepted by a sovereign state or by people who have a legitimate right to have civilian and unbanned military industries to protect themselves and their national security.

A deindustrialization policy

At that point in time . . . an inspection team was present in Iraq. The team had routine tasks, but it also had a list of equipment which it told Iraqi officials that it wanted destroyed. We told Ekeus, That is a strange and bizarre list because it includes buildings, barrels, and computers. We asked him, Why should the buildings be destroyed?

He said, Because the building housed a factory to manufacture missiles. We said fine, the factory to manufacture the missiles is gone and this building is no longer used to manufacture missiles; it is finished. Then why do you want to destroy the walls and ceiling? We can use this building for another

purpose; we can use it as a warehouse to store wheat. Why do you want to destroy the computer? This computer can now be used for children's games, to keep bank accounts, and for other, various purposes, so why do you want to destroy it?

We also told Ekeus, For 10 months now you have been making a complete inventory of Iraq's industry and you have visited all Iraqi installations. So give us a complete list of what you want to destroy. . . . Does the destruction, or the control, actually seek to prevent Iraq from producing such

We are implementing the obligations with all responsibility. Yes, these obligations are unfair, unprecedented, and unjust, and this is known and a fact which every fair man in the world knows. But our feeling[s] of responsibility dictate that we spare our people any harm.

weapons, or is the aim to destroy Iraq's industry? The complete list will clarify the desired objective. He declined to do so. He said, We now have this list and we want to destroy what is on it.

We told him, This means that at all times, every two weeks, or every month, one of the inspection teams can come and say that this is a list and this is another, a third, a fourth, a tenth list, thereby leaving the people with not a single piece of equipment with which they can produce milk, clothes, or any other civilian goods that we have the right to produce, not to mention military production which is not banned by the U.N. Security Council. . . .

We are implementing the obligations with all responsibility. Yes, these obligations are unfair, unprecedented, and unjust, and this is known and a fact which every fair man in the world knows. But our feeling[s] of responsibility dictate that we spare our people any harm. But if they want to place Iraq under the hammer of constant threats, the 6,000-year-old Iraqi people can protect themselves against aggression, injustice, and tyranny.

The Security Council destroyed all weapons that Iraq possessed. Of course, all other states in the region—Israel and Iran—possess similar weapons, but despite this Iraq's weapons were destroyed. It also prevented Iraq from producing such weapons. Some of the equipment used to manufacture these weapons was destroyed during the aggression. What was spared of this equipment we can use for civilian purposes. Now it wants to destroy whatever it wishes, now or in a month, in two months, or in six months, until it liquidates Iraq's industry altogether.

Cheminade blasts judicial frameup try

In mid-March, associates of French political figure Jacques Cheminade will distribute 15,000 leaflets in Paris, challenging the French population to rally against fraudulent indictments of Cheminade, and three others, all of whom espouse the political outlook of U.S. Democratic presidential candidate Lyndon LaRouche and his American associates. The four, Cheminade, Christine Bierre, François Bierre, and Gil Rivière have been indicted in an outrageous case of “theft” that is scheduled to be heard before the criminal court in Paris on May 14.

The case arises from charges brought by the son and daughter of a 63-year-old woman, who died in October 1986, that loans and contributions she made to three political and publishing associations were based on false representations. The entire case hangs on “expert” medical testimony—compiled three years after her death and based on a single brain scan made eight months prior to her death—that she allegedly showed noticeable symptoms of Alzheimer’s disease during 1984-86 when she participated in the activities of LaRouche’s associates in France. Evidence was presented in preliminary proceedings that; until just shortly before her death, the woman lived alone, took care of all her own affairs, drove her own car in Paris, wrote coherently and legibly—even her own family expressed no need to provide any sort of legal supervision. Apparently her only weakness was that she detested Henry Kissinger!

The case is not new: In 1989, a court-appointed Instructing Magistrate rejected it, but the government prosecutor appealed and succeeded in having the case brought before a second magistrate during the period of the Gulf War. The second magistrate issued indictments and sent the case to the criminal court with no new evidence.

The real intent of the case is to silence nationally known leaders against Mitterrand’s complicity in the Bush new world order, as shown by an insertion into the indictment that the European Labor Party (of which Cheminade was secretary general) “is a direct offshoot of the party of Lyndon LaRouche in the United States, who is charged in a very important case of swindle and fiscal fraud.” According to the leaflet: “Thus, from the very beginning of the allegations, a presumption of guilt has been created based on political association. The allegations are drawn, almost word for word, from a political dossier furnished by the Renseignements Généraux, France’s political police.”

The lying assertion that LaRouche was convicted, or even charged with so-called “swindle and fiscal fraud,” has been circulated by the U.S. State Department and various U.S. embassies precisely to smear his political movement overseas through “guilt by association” (see article, page 62). More important, however, this line is being used to throw off persistent questions to the U.S. government about U.N. Human Rights Commission investigations into U.S. violations of LaRouche’s human rights.

The case at hand

The following is excerpted from a translation of the leaflet demanding a stop to the judicial railroad against Cheminade, the Bierres, and Rivière.

In 1987, the heirs of a 63-year-old woman, who died in October 1986, initiated proceedings against Cheminade and his associates. They challenged the methods by which she had given them financial support over three years, from 1984 to 1986. The first Instructing Magistrate, who took sworn testimony from the defendants, refused to take the case further and rejected it. . . .

The indictment states simply that according to expert psychiatric testimony compiled three years after the woman’s death and based on statements of others, that the woman allegedly showed clinical signs, noticeable to others, of mental deterioration due to Alzheimer’s disease. Therefore, the named parties were allegedly stealing since she was suffering dementia—without the least need to introduce any proof of fraudulent action! . . .

The “proof” that she had Alzheimer’s disease—a single brain scan—is, moreover, considered notoriously inadequate.

It is therefore clear that during the period of the Gulf War, the case was revived, even though scandalously poorly put together, in imitation of the actions instituted against LaRouche in the United States.

The European Labor Party had previously been the subject of an inquiry from the tax authorities, concerning the period of January 1986 to Dec. 13, 1988, which never got off the ground. That case was a “first” of its kind against a French political party.

Why this persistence? Why the fantastic accusation of “theft” against a man, Mr. Cheminade, who, for the overwhelming period of his political association has worked and continues to work on a voluntary basis and who, certainly, had not benefited from any personal enrichment during the period in question but who, on the contrary, has contributed significant sums to the associations for which he worked? Why? . . .

The LaRouche Affair, the Dreyfus Affair

Why? The allegation itself explains it: because of Cheminade’s ties to LaRouche.

LaRouche has been in prison for the last three years in the United States, victim of a political trial which has been denounced by hundreds of lawyers, former ministers of justice, and political and trade union leaders from around the world. His case is the subject of an inquiry addressed to U.S. authorities by the Human Rights Commission of the United Nations in Geneva. Contrary to what the French prosecutor says, which alleges an investigation of LaRouche in "a very important case of swindle and financial fraud," the charges brought by the American authorities were only "mail fraud," "conspiracy to commit mail fraud," and "conspiracy to impede the IRS." Thus LaRouche has been imprisoned on the basis of accusations as imaginary as those brought against his French friends.

Why? because LaRouche is the man who denounced George Bush's new world order, who goes after drug money laundering by British and American banks, and who has advised the countries of the South to unite in a cartel to refuse to repay the usurious debt that is destroying the lives of their people and the sovereignty of their nations.

Few have been as slandered as LaRouche, the victim of lynching by the media and the judiciary. Who are his enemies? A veritable intervention force was organized against LaRouche by the Anglo-American financial oligarchy and its appendages, including the Anti-Defamation League (ADL), the CIA, the FBI, and their offshoots.

All of these are well entrenched in Paris.

LaRouche and his friends are currently demanding release of 40,000 pages of documents on them, which the U.S. government refuses to make public. Just like the documents on the Kennedy assassination, the U.S. government wants to keep its "family secrets" concealed. The Kennedy affair, the LaRouche affair, an arbitrary connection? No, since those who denounced the big lie of the Warren Commission attest today that John Fitzgerald Kennedy and Lyndon LaRouche have the same enemies, the same smell of trafficking in arms, drugs and dirty money.

The stakes

One observer has called this affair "sordid." Exactly. Nonetheless, the stakes are enormous.

- 1) The right to freedom of association in France.
- 2) The threshold of legal proof required to establish Alzheimer's disease. The conviction of Cheminade would establish a precedent for almost any other case.
- 3) Above all, use of the judicial system for political ends against someone who opposes the established order. Clearly the goal is to make Cheminade ineligible to participate in politics.
- 4) Finally, it is the incompetent use of psychiatry for partisan objectives.

If, after LaRouche, Jacques Cheminade and his friends are convicted, it will be clear why François Mitterrand thinks George Bush is "nice" and calls him his friend.

Kohl faces ill wind from Washington

by Rainer Apel

In the foreground of the American visit of German Chancellor Helmut Kohl beginning on March 21 is an almost compulsive effort by official Bonn to downplay the significance of the Wolfowitz study, in which reunified Germany is represented as one of the major future adversaries of the United States. The study, leaked by the *New York Times* Sunday edition of March 8, states that U.S. defense strategy must be to "prevent the re-emergence of a new rival" comparable to the Soviet Union, and to "seek to prevent the emergency of European-only security arrangements which would undermine NATO." (See *EIR*, March 20, p. 58.)

Even the mass media put a consoling spin on the speech in Bonn by David Jeremiah, the American deputy chief of General Staff, who tried to give the impression that the study is "only one among many and in any case not the official policy of the United States." The German Foreign Office put out the word that U.S. Secretary of State James Baker had assured his German colleague Foreign Minister Hans-Dietrich Genscher that there was no basis for the Germans to be upset.

It seemed like a lot of denials for something which in Bonn has been taken so seriously that Winfried Dunkel, the military attaché of the German Embassy in Washington, made a special trip to the Pentagon in early March to officially protest the statements in the Wolfowitz report.

Indeed, the study by Paul D. Wolfowitz should be taken more than seriously. For one thing the author is not simply "one among many," but is Defense Undersecretary for Policy. Moreover, he is a protégé for many years of Fred Iklé, who once held the same post. Iklé is the author of a similar study, which a few years ago—before German reunification and the breakup of the Warsaw Pact and U.S.S.R.—proclaimed that the strategic and political interests of the United States and Europe were in opposition. The Wolfowitz paper also coincides with President Bush's own ideas. Bush said on March 11 to journalists that he could broadly support the conclusions of Wolfowitz.

Russia, France protest

In a commentary broadcast by Radio Moscow March 11, Victor Innikeyev said that the Pentagon paper says "in no uncertain terms" that the United States would act to prevent the emergence of a rival superpower on the European conti-

ment. The sections calling for using force to stop the spread of nuclear weapons "will certainly make a few eyebrows rise, especially against the backdrop of the Russian leadership's statement that the U.S. is no longer an adversary, but a potential ally, and that Russian nuclear missiles are no longer targeted on the United States. By contrast, the Pentagon will not follow Russia's suit."

This fact alone, warns Innikev, "outweighs by far the American declarations that they want to see successful reforms in the former Soviet Union based on democracy and the market economy." He goes on that the document "smacks of American attempts at world hegemony," including even "control over western industrial countries that may challenge the U.S. role."

In western Europe, too (outside of Bonn), there were strong protests against the Wolfowitz paper.

On March 10 French Foreign Minister Roland Dumas came out against attempts to have NATO replace the Conference on Security and Cooperation in Europe (CSCE) and other agencies in peacekeeping efforts in the Transcaucasus or elsewhere. Dumas's objections were raised in the Brussels meeting of the North Atlantic Cooperation Council (NACC), at which initiatives vis-à-vis the Nagorno-Karabakh conflict were discussed.

At this meeting, the usually well-informed French daily *Libération* notes, U.S. Secretary of State Baker was trying to "breathe new life into NATO by carefully organizing the extension of its influence into the East," in pursuance of his plan for creating a "Euro-Atlantic community from Vancouver to Vladivostok." The NACC, set up in December 1991, is seen by the Americans as the "privileged place of action" for carrying out this project, the paper reported. Dumas warned against the temptation of "asking NATO to substitute itself for the CSCE." To underscore its distance from such plans, France has indicated it will not be represented at the meeting of NACC defense ministers, to be held in April.

Libération linked the French-American controversy in Brussels directly to the "politically explosive Pentagon document," noting that the document foresees Washington as sole "policeman" of the world, having the mission of preventing any rivalry to the American superpower from arising, particularly in western Europe. In Brussels, Baker downgraded it as a "low-level working paper." French Foreign Minister Roland Dumas claimed it reflected "a certain orientation of mind which I hope does not correspond to reality," and added, with a smile, that he had taken notice of the American denial that this reflected official thinking in Washington.

War of nerves in Bonn

Washington columnist Hobart Rowen forecast in his *International Herald Tribune* article on March 16 that Bush would read Kohl "the riot act" over "the tendentious GATT issue," i.e., the General Agreement on Tariffs and Trade. "Mr. Kohl made a clear commitment, at the Houston eco-

nomic summit in 1990, to get President François Mitterrand to modify France's intransigent stand against reducing agricultural subsidies. Mr. Kohl has not delivered on that promise," Rowen wrote.

The Americans are insisting that Kohl pressure Mitterrand "to make a deal with the Americans and other GATT countries." Concluded Rowen: "That is what Mr. Kohl must do to continue to get American support for Germany's priority targets, including its lead role in eastern Europe and among the former Soviet states. Otherwise he risks a serious break with the United States."

In Bonn radical differences between Chancellor Kohl, who does not want to jolt Franco-German friendship, and the chairman of the coalition partners, the Free Democrats, Count Otto von Lambsdorff, led to a sharp exchange of words inside the coalition in early March. Kohl also said the French government had complained about Lambsdorff's repeated statements calling on the government in Bonn to force France into accepting the pro-Bush GATT compromise. Responded Lambsdorff: "For several months now, I have been predicting that a failure of the GATT talks would be blamed on Germany, on you, Mr. Chancellor." Lambsdorff said that a GATT failure would ruin German exports and send the entire economy down the drain. He dropped a barely veiled threat that the present coalition could break up over such disputes, just like the 1982 coalition headed by Chancellor Helmut Schmidt.

Now what will the chancellor do? If he gives in, he saws off the branch upon which an independent policy befitting united Germany with its newly won sovereignty, would rest. Without close collaboration with France, Germany has no chance against the new American (in reality, Anglo-American, because London runs the Bush party) doctrine. If Kohl does not capitulate, he is facing a growing confrontation with the Bush administration.

Presuming that the new U.S. doctrine runs into stiff opposition in Russia and France, Germany's outlook for surviving this confrontation is not bad. As long as the domestic opposition to Bush is growing, because of the catastrophic results of his economic policies, Bush's ruling apparatus is skating on rather thin ice.

Also encouraging to the Bonn government are indications that after the cantonal elections in France on March 22 there could be a new shape to the government in Paris. The very German-French-oriented Jacques Delors, who is still European Community president, has been named as well placed to take over as prime minister. That could mean better prospects for ending the policy of blockading Bonn which President Mitterrand has upheld since 1989. There is no need for Kohl to make any concessions to Bush, if there is a short-term possibility that Paris might meet the chancellor's proposals for French-German relations halfway. The chancellor should keep his nerves about him, since Bush's nerves are not the best.

Chinese classical poetry is based on universal principles of singing

by Ray Wen Wei

For more than twenty-two centuries, the evolving art of Chinese classical poetry has demonstrated the universal truth that music comes from the singing of poetry. As a matter of fact, the English word "poetry" finds its Chinese equivalent as "*shi ge*," literally, "poem" and "song" respectively. This article will explore how this idea ripened during the golden age of the Tang Dynasty (618-907 A.D.), when both poetry and music developed dramatically. The reader is also invited to explore the affinity of poetry and music as it develops along the course of art history in China as well as in the West.

The *Book of Odes*, edited by Confucius (551-479 B.C.), is a collection of poems from previous centuries. As early as 1000 B.C., the ancient Chinese had already developed the system known as the "old-bells," an equal-tempered instrument which brought us polyphonic music. This suggests to us where to look for the best of China's cultural heritage.

To understand how poetry evolves into music, I will start with Mao Chang, a Han scholar, who in the Second Century B.C. codified his ideas in the "Great Preface" to the *Book of Odes*. The *Book of Odes*, which has become the standard of orthodox poetry for the past 22 centuries, was reconstructed by Mao Chang from memory after all existing copies were burned by the Chin Emperor (ca. 220 B.C.). In this famous "Great Preface," Mao Chang said:

"Poetry, comes from '*chih*.' When retained in the mind, it is '*chih*,' when conveyed into words, it becomes poetry. When words are inadequate to express '*chih*,' we chant; when chanting is inadequate, we sing. If singing it is inadequate, unconsciously our hands sway to it and our feet dance to it."

It is hard to find an English counterpart for the Chinese word *chih*. According to the classic definition, it means "will, ambition, aggressive inspiration, or progressive ideas." It is something nonlinear in the human mind. *Chih*, the nonlinear progressive idea, or the will, comes from the imitation of natural beauty, from the passion for truth inherent from one's inner reality. This notion then is expressed in words to form poetry, to conceive songs, and thus to generate instrumental music. Mao Chang viewed the human voice as the natural musical organ, imitated by the man-made instruments. This obviously opposes some modern arguments that music comes merely from rhythm, chanting in heavy labor, or dancing to

celebrate the harvest.

It is not only music which comes as the fruits of singing classical poetry, but the language itself. The Chinese language, based on pictographic written symbols, contributes powerfully to the unity of the Chinese nation. It was augmented, enriched, and perfected through the centuries by the development of classical poetry. The masters imposed a strict and rigorous structure upon the composition of poetry. Rather than limiting the power of expression, these strict rules of prosody forced the development of more powerful forms of language than existed in common speech, breaking the chains on human thought. Despite the chains on their feet, these distinguished poets danced freely to the internal music of their minds to bequeath us those beautiful poems.

Out of the efforts of these great "shackled dancers," Chinese ancestors offered their offspring one of the richest languages in the world. The language, that has been tuned to the music, that has never stopped its own growth, extends varieties of artistic and creative styles to the patriotic poets for generations to come.

'Shih,' 'tsih,' 'ge,' 'fu,' and rules of prosody

About 1,000 years after the "Great Preface," comes what is considered the golden age of classical Chinese poetry: the Tang Dynasty (618-907). About 50,000 poems composed by 2,300 poets in the Tang indicate the extensive searching for verses to be chanted or sung.

The wide thematic range of Chinese *wen ren me ke* (men of literature and letters) in the Tang already found expression in a wide stylistic range. The most important of these are: the strict style of "*shih*" (rows of regulated poetic lines); "*tsih*" (long and short lines of lyrics); and the free styles of "*ge*" and "*fu*" (two types of essays with rhetoric). Both "*shih*" and "*tsih*" are strictly regulated by patterns of tones, syllables, and rhymes, while the other two are not.

In *shih*, a set pattern of tones has to be maintained throughout the whole poem with little exception. (In Chinese, the tone in which a word is spoken can change its meaning.) If the pattern is broken, other changes are required in order to maintain the musicality of the line.

In *tsih*, a set of long and short lines with a given rhyme scheme, called its "*diao*," makes the poem fit into a specific

standard musical composition. This style is also called “long and short sentences.” *Ts'ih* was at its best in the Sung Dynasty (960-1276), right after the Tang.

In the West, poems could be composed into songs by various songwriters or composers, but in this circle of Chinese poets the situation seems rather different. The “*diao*” (the title of a certain melody with specific rules of rhymes and patterns of long and short sentences) is usually learned and memorized by the singer and the musicians who accompany the singer. When the “blank spaces” of the “*diao*” is “filled in” with words of a specific *ts'ih*, it can then be sung instantly.

Both “*ge*” and “*fu*” are usually essays depicting natural scenes to express *chih*, which sometimes reflect the author’s traveling experiences or political beliefs. “*Fu*” was developed as early as the Han Dynasty (206 B. C.-A. D. 220). Both are forms used to protest social abuse, to state one’s cherished values, or to express one’s political beliefs. These are the forms usually required in the examinations for official positions.

For the purposes of this article, I will give a more detailed discussion only of the *shih*.

‘Shih,’ rows of the regulated verse

Shih is a modern style of poetry (“*jin ti shi*”) matured during the early Tang. It constrains a poem to eight lines of five or seven syllables each. With a single rhyme running through it, the poem is divided into four pairs, namely “starting,” “extending,” “turning,” and “completing,” respectively. These appear in the western classical sonata form of music in the same order, as the “theme,” “development,” “transition,” and “recapitulation.” The rhyme used throughout the poem is chosen from one of two divisions of the vowel sounds. In general, these are divided as either long, bright sounds (called “*yang*” rhyme) or short, dim sounds (called “*yin*” rhyme). The choice of this rhyme determines the mood of the poem, similar to the choice of a major or a minor key in music.

The middle two couplets are both composed of two parallel and antithetical lines, in which the parts of speech are matched and their meanings are contrasted. For instance, in “A Night on the Jiande River,” Meng Hao-ran wrote:

In the vast wilds, the sky touches the tree.
On a bright river, the moon comes to me.

where “vast” is matched to “bright,” “wild” to “river,” “sky” to “the moon,” “tree” to “me,” and the verb “touches” to “comes.”

Beside these parallels of the parts of speech, the patterns of tones which establish the euphony of the verses must also follow prescribed forms. Chinese characters are all single syllable units with four tones. The “flat” (symbolized as “-”) and “rising” (“/”) tones are called “even” (“*ping*”), while the

“falling” (“\”) and the “low-rising” (“V”) tones are called “inflected” (“*tze*”). The paired words must be of the *opposite* types, “even” or “inflected.” Taking the same example from above, the Chinese equivalent of the lines would read:

Ye	Kuo	Tien	Di	Shu,
V	\	-	-	\
tze	tze	ping	ping	tze
(wild	vast	sky	touch	tree,
Jiang	Chin	Yue	Jin	Ren
-	-	\	\	/
ping	ping	tze	tze	ping
river	bright	moon	come	me)

where the rhythm combined with proper tones generates melody very naturally.

Another demonstration comes also from a piece of well-known poetry:

The body doesn’t have the two flying wings of a colorful phoenix,
But the mind can still possess the single insight of that fairy buffalo.

The “fairy buffalo” comes from a Chinese legend about an intelligent buffalo who gained his wisdom by pointing his horns towards the moon. Here the poet believes that a physically constrained body could have a transcendental mind.

This poem has seven characters per line, setting two extra words in front of the five-character line pattern we saw in the previous example:

Sen	Wu	Ts’ai	Fung	Suan	Fei	Yi,
-	-	V	\	-	-	\
ping	ping	tze	tze	ping	ping	tze
(body	no	colorful	phoenix	two	flying	wing)
Hsin	Yo	Ling	Hsi	Yi	Dian	Tung
-	V	-	-	\	V	-
ping	tze	ping	ping	tze	tze	ping
(mind	has	fairy	buffalo	one	point	insight)

Notice that the poet violates the pattern of “opposite” tones at the first character of the second line, “Hsin,” a character with a *ping* tone instead of a *tze* tone. This demonstrates how a poet occasionally breaks the rules to develop his idea, and to draw the attention of the reader to a specific point (here, the comparison of body to mind).

For the more formal type of *shih*, known as “*lue-shih*” (regulated verse), there are four possible rhyme patterns for the four couplets. If *R* is for rhyme and *N* for no-rhyme, these patterns are *R-R-N-R*, *R-R-R-R*, *N-R-N-R*, *N-R-R-R*.

范一首

中
和
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"A Mid-Autumn Night," a Chinese classical poem composed by the author in 1980. Calligraphy is in the author's hand.

today's Mandarin (the official language), some Tang poems have to be vocalized in their ancient accent.

Out of many poems written by this writer, only a few have integrated ideas that flow naturally from these rules of composition developed by the masters. The following was titled "A Mid-Autumn Night," dated on the Moon Festival of 1980, using the same pattern of *ping* and *tze* tones as the example given above:

Chung	Chiu	Leng	Tzuo	Guan	Shan	Yue,
-	-	V	\	-	-	\
Yu	Hsiang	Mong	Long	Yin	Wei	Tzen.
\	\	/	/	\	\	-
Du	Bei	Bu	Ke	Fu	Yao	Shang,
/	-	\	V	/	/	\
Lei	Shih	Ying	Pan	Chao	Chien	Sheng.
\	\	/	/	\	\	-

Poems written for events like traditional Chinese festivals (the Moon Festival, for instance, a night for separated families and lovers to remember each other) often suggest sentimental feelings of missing one's home, recalling family stories, or remembering a historical person. It is more difficult to translate such poems which are touched with a national culture of another language and traditional references. With-

身
無
彩
鳳
雙
飛
翼
心
有
靈
犀
一
點
通

張
建
勳
書

A modern calligrapher's rendering of a well-known Chinese poem written during the Tang Dynasty (618-907 A.D.).

Another rule is that if the first word of the poem is a *ping* tone, then the first couplet ends in a rhyme (i.e., either the first or the second of the four patterns), while if the first word is a *tze* tone, then the first couplet does not have the rhyme (i.e., one of the last two patterns). The following is a typical form:

ping ping tze tze ping ping tze (rhyme)
 tze tze ping ping tze tze ping (rhyme)
 ping ping tze tze ping ping tze (no rhyme)
 tze tze ping ping tze tze ping (rhyme)

Notice that although each Chinese dialect has its own tones (up to nine in some southern areas), they all divide these tones into either *ping* or *tze*. Due to the evolution of sound in

out the rhyme, this poem is rendered as follows:

Sitting in the cold Mid-Autumn Night, I watch the
mountain moon.
Your jade image appears vague as it mirrors imperfect.
I grieve I can not soar on high,
To wipe with tears the silver plate, to unveil your true
beauty.

(“Silver plate,” or “Yin Pan” in Chinese, refers to the moon.)

As in many Chinese classical poems, the sentimental theme of romantic love is borrowed to represent a more philosophical concept.

Li Pai and Du Fu in the Tang era

Poets today often sigh that “The Tang poets have done all one can do with poetry.” Among more than 2,300 poets in the Tang, both Li Pai (701-762) and Du Fu (712-770) enjoy the most readership up through today. The legendary Li Pai, praised as “the Sage among Poets,” explored all the elegant variations in the prosody, while Du Fu expressed an extensive variety of themes with a *savoir faire* of grace. Du Fu is regarded as the “Historian Poet.”

Li Pai, in one of his vast number of poems, composed a scene where he heard a flute which brought up a feeling of homesickness:

Furtive music from whose jade flute tonight
Steals forth upon spring winds to fill the town?
Recognizing the tune of Breaking Willow Boughs
Who could be untouched by thoughts of home?

“Breaking Willow Boughs” refers to a sad tune traditionally played at parting. As a token of enduring thought, willow branches were often presented to those who were departing. A typical scene like this often inspired Li Pai’s *chih*, which is highlighted by Mao Chang’s quote at the beginning of this article.

Historical events are among the many themes of our “Historian Poet” Du Fu. He had written a piece in memory of the Chu Prime Minister Chu Ge-Liang of the Three Kingdoms Period (220-280 A.D.), who was known for his simple lifestyle and political talent. He was invited three times by the founder Liu Pei of the Kingdom of Chu to serve the state. He then served the son of Liu Pei and died leading troops in battle. Observing the great man’s neglected tomb, Du Fu commented:

Where would I find the Prime Minister’s shrine?
Somewhere outside Jinguan, in a dense cypress glade
Where the grass covered steps don the color of spring
And the orioles’ fine songs unheard.
Requested three times to guide the nation,
He served two monarchs with utter devotion,



Terracotta figurine of a lady playing the harp, from the Tang dynasty, the golden age of poetry. (Cleveland Museum of Art)

And died before he was the triumph of his troops.
For him, generations of heroes shed tears.

Out of about 50,000 poems in the Tang, these two serve to introduce these two great poets, who are regarded in China in the same way that Dante and Shakespeare are in the West. Their poems are available today in many languages throughout the world.

The difficulties of translation, however, have hindered the presentation of the beauty and grace of Chinese poems to the West. As Robert Frost puts it, “Poetry is what gets lost in translation.” English translations for the above two poems of Li Pai and Du Fu are borrowed from Zhang Ting-chen and Bruce M. Wilson’s book, *100 Tang Poems*, to whom this writer owes much credit.

To end this discussion, let us see what Mao Chang also said about music and government:

“The emotions emerge in sounds; when the sounds have patterning, they are called ‘tones.’ The tones of a well-managed age are at rest and happy; its government is balanced. The tones of an age of turmoil are bitter and full of anger; its government is perverse. The tones of a ruined state are filled with lament and brooding; its people are in difficulty.”

Pro-secessionist insurgency gains momentum in northeastern India

by Susan Maitra and Ramtanu Maitra

The news from Manipur's state capital, Imphal, that three guerrilla groups which are seeking secession from India have joined hands under a unified command, and a letter by a member of parliament belonging to the Bharatiya Janata Party (BJP), the main opposition to the ruling Congress (I) in New Delhi, addressed to Prime Minister P.V. Narasimha Rao urging him to intervene, have raised the specter of yet another round of wanton violence in the strategically sensitive northeastern India.

In his letter to the prime minister, Member of Parliament W. Kulabidhu warned: "The anti-Indian, anti-mainstream, and pro-secessionist mood is gathering momentum and is even joined by the intelligentsia. . . . It is learned that Manipur, which is already insurgency-affected, may go the way of Punjab and J&K [Jammu and Kashmir] due to the lack of display of statesmanship on the part of leaders of the mainstream."

There are reasons for Kulabidhu's sense of urgency. Intelligence sources from Imphal reported recently that the Maoist People's Liberation Army (PLA), which has bases in six of the seven northeastern states; the People's Revolutionary Party of Kangleipak (Prepak), which was decimated by an intra-party feud in the early 1980s; and the Kangleipak Communist Party (KCP), the least potent of the three, were brought under a unified command at a secret meeting near Khonjon on the Indo-Burma Road. This unified group is also actively supporting the language issue which has been the main platform of the Manipur intelligentsia against New Delhi.

In addition, a tribal group, represented by the Kuki Nagas, who inhabit the southern part of Manipur and across the border in Myanmar (Burma) along the western bank of Chindwin River, has formed a new underground organization, the Kuki National Front (KNF), for a campaign of carving out a homeland for the Kukis. They are reportedly involved in a massive fundraising drive in the areas they inhabit and also in parts of Assam and northwestern Burma.

Insurgency in northeastern India, bordering China, Bangladesh, and Burma, is nothing new. In fact, less than 24 hours before India became an independent nation in 1947, the Nagas of Nagaland had taken up arms and declared themselves independent. A decade or so later, the Mizo of Mizoram rose up in armed revolt, and at about the same time the

Meitei Hindus of Manipur, who constitute 70% of the 1.83 million population and live in the Imphal valley, raised the demand for a separate state, since they had discovered that they were Mongoloid as opposed to the fellow Hindus of the plains of India.

In time, these uprisings were subdued, but the major ingredients which gave rise to insurgency were left largely untouched. Over a period of time, a whole new range of dissenters joined the fray. Some were fighting for a socialist state, others for Christianity, and still others, like the Kukis, were demanding separate tribal states. Easy access to Burma allowed all these groups to survive and mobilize for fresh forays into Manipur, Nagaland, and Mizoram from time to time to justify their existence. In this context, the assistance of various insurgent groups in Burma, in turn helped by China, and the abundant availability of arms and heroin, played a crucial role in keeping these groups intact.

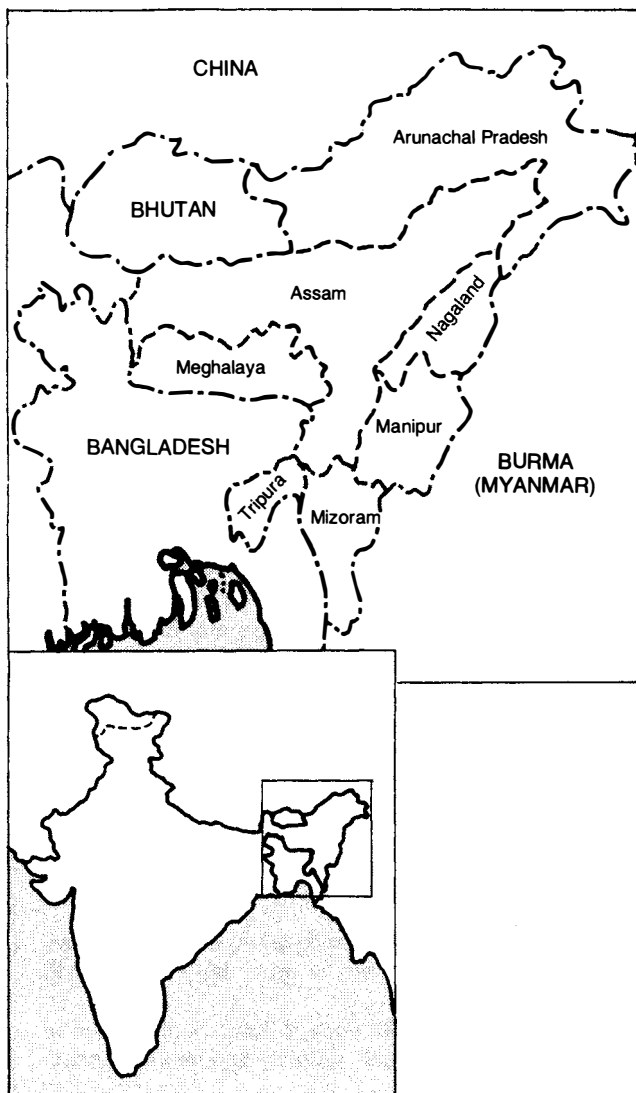
The insurgents

Of all the groups in Manipur, the PLA is by far the most potent. The vanguard of the Maoist cult in northeastern India, the PLA has attracted young radicals from the middle class, including a prince from the defunct Manipur royal family. A number of PLA leaders, known as the *Ojhas* (Teachers), were sent to Lhasa, Tibet, in the 1970s for indoctrination and arms training by the Chinese. Although all the *Ojhas* are either dead or nabbed, their adherents have continued to advocate the cause of their leaders in strong Maoist terms.

In 1981, with the arrest of PLA leader Bisheswar, it looked as if the PLA menace would be eradicated from the valley. But an inadequate political leadership and a number of extraneous factors have kept the PLA alive and kicking. Besides the PLA, the Prepak is also a violent, valley-based organization. Prepak went through a murderous phase in the early 1980s following the arrest of their leader, Tulachandra. The blood-feuds and killings brought counterinsurgency to Imphal, jeopardizing the survival of even the PLA. Since then, it has been noted that the Prepak was deeply affected by a lack of leadership.

In addition to these valley-based insurgent groups, the hills around Imphal, inhabited by the Thangkul and Mao Naga tribes, who are mostly Christians, have been disturbed since the 1960s. While the PLA and Prepak are involved in

Northeastern India, Bhutan, and Bangladesh



violent activities in the valley, seeking a "Greater Imphal State" outside of India, these tribal groups are demanding separate tribal homelands.

In their insurgency activities, a number of factors have come to contribute significantly. First, the perpetual non-administration of outlying areas of Burma. For decades, the Burmese government in Rangoon could exercise only nominal control over areas located on the western banks of Chindwin and Upper Irrawaddy rivers. As a result, the northeast insurgents developed close relations with the Burmese insurgents, particularly the Kachins, Karens, and Mons, and received arms training as well as drugs in the form of opium and heroin. Under pressure from Indian security forces, the Naga, Mizo, and other insurgent groups would vanish into the thick jungles of Burma where they were sheltered by the

Burmese insurgents.

Second, the explosion of opium cultivation in Burma and China has made the insurgent group financially stable. In recent years, Manipur has become the main entry point of Burmese and Chinese heroin into India. The drug is handled by these insurgent groups and carried all the way over to the state of Assam, bordering Bhutan. As a result, Manipur has also become a victim of heroin. Thousands of heroin addicts, more than 5,500 drug traffickers languishing in jail, and an exceedingly high number of individuals who are HIV positive, inhabit the Imphal Valley. Recent reports indicate that from there heroin is now carried into Bangladesh, and from there finds its way to the Persian Gulf. Heroin trafficking has provided the insurgents the much-required cash for buying arms and for sheer survival. In addition, the PLA also requires cash to publish propaganda and indoctrination material from time to time.

Political chaos

The third factor is the political chaos that reigns supreme in Manipur. The political scene, dominated by a group of highly sophisticated elites based in the Imphal Valley, is an unending chain of manipulations. Manipur's political leaders, a vast majority of whom belong to the royal family and are denoted by the initials R.K. (*Raj Kumar*, which means "Prince"), change parties on account of personal feuds. From time to time, one R.K. heads the Congress Party while the other heads the leading opposition group. Then, when convenient, they change sides. One such major player is R.K. Dorendra Singh, who has been in and out of the Congress Party in order to head the state government. These political leaders have close ties with the PLA leaders, according to political observers based in Manipur. It has been said that R.K. Dorendra Singh, in particular, had become quite close to the PLA leadership and that that was one reason why the PLA was not decimated in the early 1980s.

The insurgent groups are also drawing succor from two other factors—the language issue and the lack of developmental efforts in the northeast by New Delhi. The language issue, which had alienated the intelligentsia from New Delhi, involves the demand that the Manipuri language, Meitei-lol, be included in the eighth schedule of the Indian Constitution. According to the agitators, Meitei-lol is the principal symbol of Manipuri identity. As the story goes, following the order of a local king some two centuries back, the people in Manipur were forced to use Bengali script and Maitei-lol was pushed out. With the creation of Manipur as a full-fledged state in 1972 and the declaration of Manipuri as the state language, this demand for its inclusion in the Constitution began. The Manipur state assembly passed a resolution in 1988 voicing such a demand. However, New Delhi, reportedly afraid that this might set a precedent for several other linguistic groups to press for the inclusion of their respective languages, has kept the issue at bay causing a great deal of resentment. In fact,

regular street demonstrations against the national language Hindi has become a passing scene in Imphal.

The developmental issue, which involves the entire northeast, is also a matter of serious concern. Endowed with an exceedingly fertile valley, Manipur is poor in agriculture. The state is fully dependent on rainfall for its agriculture: A number of irrigation projects have been mooted, but have yet to see daylight.

Another key issue is the lack of transportation. The state is cut off from the rest of the country as far as a rail link is concerned. While New Delhi claims that Manipur is too mountainous to support a railway, it is pointed out that places like Shimla and Darjeeling, situated over 6,000 feet high in the mountains, were connected by rail during British rule.

The rail link between Manipur and the rest of India will not only enable essential commodities to be supplied to the state, but it will also allow the people of the state to move out and form an emotional cohesion with the rest of the country. At present, a road connects Imphal to Dimapur, Nagaland, via Kohima, Nagaland, and one has to spend the whole day in a bus or car in order to reach Imphal by land.

Economically, northeastern India has remained in the colonial age, dominated by tea, oil, and timber production. However, little of the profit earned from such exploitation has been ploughed back into the economy, and there is a strong grievance that the region has remained a captive market for

consumer goods manufactured in the rest of the country. Because of the lack of adequate institutions, the money allocation made by New Delhi finds its way into the hands of a selected few, adding to the disparity between the haves and have-nots.

Finally, the foreign element in northeast India cannot be underestimated. The Chinese involvement in the form of indoctrinating the insurgents and arming them is well known. Less known is the fact that right after the partition of India, the British had worked out a strategy to make northeast India and the western part of Burma a colony. In their design to carve out a separate colony, they also planned to maintain two ports for carrying on their trade from the region. One was the Maungdaw-Bathiadaung region in Burma, just south of Bangladesh, with Chittagong (Bangladesh) to be made a free port, and the other was the Moulmein-Tavoy region to the sea, where the Karens and Mons predominate.

Recently, two British nationals, Steven Hillman and David Ward, were arrested in Naga when it was found that they did not carry the necessary permits to travel to Nagaland, which is a restricted area. The two Britons were arrested by security forces during a shootout with Naga rebels on the Nagaland-Manipur border. It was subsequently discovered that Ward and Hillman were members of the London-based Naga secessionist organization "Naga Wigil." London was also the base of the late Naga secessionist leader A.Z. Phizo.

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Colombian 'peace talks' relaunched

Gaviria has plunged ahead into negotiations with narco-terrorists, but will the military put up with it?

Despite the widespread opposition of the Colombian population, business federations, and Armed Forces, the César Gaviria government has relaunched "peace dialogues" with FARC and ELN narco-guerrillas, with the objective of legalizing them as political parties.

After months of postponement, and after concluding that convulsed Venezuela was no longer an acceptable site for the negotiations, the "peace dialogues" were restarted in Tlaxcala, Mexico in early March. Yet before those negotiations were ever begun, the FARC and ELN were dramatically intensifying their terrorist attacks on energy and transportation infrastructure, to show the government that they were prepared to negotiate with "great strength and combat capacity."

There are currently more than 500 kidnap victims—mostly business executives and ranchers. Kidnaping, drug trafficking, and collecting "protection money" (known as *boleteo*) are these groups' primary means of subsistence. Indeed, there exists double taxation: on the one side, the taxes which farmers, industrialists, merchants, miners, and citizens must pay to the government, and on the other, those which these same people must pay to the narco-guerrillas to allow them to work in peace.

If the narco-guerrillas entered the negotiations at full strength, the Gaviria government entered at its weakest, having complied with all the conditions laid out by the FARC and ELN, and despite the fact that the sole demand of the government—that the

FARC and ELN suspend their terrorist operations and free kidnap victims—remains ignored. Further, Gaviria has agreed to turn the "dialogue" into a forum on economic and social policy with the same forces which, in combination with the austerity dictates of the International Monetary Fund (IMF), have helped to impoverish and bankrupt the country's most productive sectors with their terrorism and blackmail. Now, the FARC and ELN would use the Mexico talks to present themselves as the nation's defenders against the IMF.

While the government, confident in the defeat of communism around the world, believes the FARC and ELN will come to terms and surrender, it is clear that the narco-terrorists view the dialogue as just another propaganda outlet. The FARC is well aware that the more severely the austerity prescriptions of the IMF are imposed, the greater the discontent. According to FARC discussion papers in the hands of military intelligence, the FARC hopes to channel this discontent into a seizure of power this year.

The FARC has never disguised its intention. "We continue to maintain that armed struggle in Colombia is applicable," declared FARC chieftain Manuel Marulanda Vélez, in an interview with the Cuban news service Prensa Latina. The ELN, in a letter to its cadre, is equally explicit, explaining that the Mexican dialogue "marks one phase in the process of legitimizing Colombian insurgency."

The business federations of Antioquia department, one of the regions

most heavily affected by narco-terrorism, have expressed their opposition to the renewal of dialogue. "One cannot make the peace by talking and shooting at the same time, by extorting, kidnaping and promoting land invasions," they stated in a letter to the President on March 4, just before the Tlaxcala negotiations began. The national presidents of these federations also met with Gaviria and assured him that the most severe problem undermining economic activity was the insecurity caused by the government's eternal negotiations with narco-terrorism.

Discontent in the Armed Forces is similarly at unprecedented levels. Not only are their actions against narco-terrorism now impeded by the dialogue process, but any military action against these groups is severely investigated by the newly strengthened attorney general's office. The imposition of a civilian defense minister as part of the government's pact with the now-legalized M-19 narco-terrorists, remains a sore point with the active and retired military. According to *Cromos* magazine and the Communist Party's *Voz* newspaper, clandestine petitions and documents are circulating within military layers denouncing the "ridiculous talks" with the terrorists, "which are increasing their fighting power with the government's blessing." The documents condition the government's talks with the FARC/ELN on "not negotiating matters exclusive to government or congressional responsibility."

Enrique Santos Calderón, in his March 15 column in the daily *El Tiempo*, warned that this situation could lead to an attempted coup as in Venezuela. According to Santos, the military's feeling is that "we have a constitutional duty to defend a system we don't like, nor are we even allowed to defend it."

Mexico's economy addicted to drugs

The drug trade has increased dramatically, which has prompted some to argue for legalization.

In his third state of the union address on Nov. 1, 1991, President Carlos Salinas de Gortari reported that the value of drugs confiscated during his three years in office was equivalent to twice the value of the country's foreign debt, which is now \$104 billion. He discussed the topic again during the Feb. 26-27 drug summit held in San Antonio, Texas.

In the aftermath of the President's remarks, a very dangerous game of manipulating statistics has emerged, implying that drug legalization might have significant benefits for the national economy, and could generate the income needed to pay the foreign debt. Some analysts here say Salinas's statements were no accident, that they were calculated to encourage such a debate.

The drug trade has increased in such an alarming manner in the country during the past three years, that it is now the largest "economic activity." The laundering of a percentage of its earnings is done through the mechanism of privatizations and reprivatizations of state-sector companies and through "repatriation of capital." All of these are the result of Salinas's British-inspired policies of free trade and "flea market" economics.

According to information released by the office of the attorney general, the value of drugs confiscated within the country between 1989 and 1991 was \$182 billion. The value of drugs confiscated in 1991 is calculated at \$70 billion, the equivalent of 25% of the total value of national production for that year.

Specialized studies used by government authorities say that at least 350,000 people are directly or indirectly involved in drug-related activities. But unofficial statistics estimate conservatively that the figure is as high as 1 million people, thus making the drug trade the country's largest "employment generating activity."

Reports from the coal-producing region of Coahuila, where 10,000 miners have been fired, exemplify the situation. The former Nayarit miners earn a minimum wage of 100,000 pesos, but now they sow marijuana. The Peñoles company reports that 203 small and medium-sized mining concerns have been forced to close their doors.

The \$70 billion in drug profits for 1991 is larger than the economy's most speculative activity, the Mexican Stock Market, which registered a growth worth \$50 billion for the same year.

But the value of the confiscated drugs is only an unspecified portion of what is really produced (as well as what enters the country from the south of the continent), consumed, and exported to the United States.

The document produced by the attorney general's office, *Drug Control in Mexico, the 1989-94 National Program, Evaluation, and Followup*, which was presented to Salinas just prior to the San Antonio summit, recognizes that the financial resources currently allocated to the anti-drug fight make it impossible to deal effectively with the problem, given its magnitude. Government authorities

also note a significant increase in the amount of drugs entering the country from the southern cone of South America.

According to the attorney general's office, during the last three years, 71% of the total amount of cocaine, 60% of all heroin, and 51% of all marijuana which goes from Mexico to the United States has been confiscated. However, government officials admit that during the same period, the sowing of poppies and other mind-altering drugs has increased annually by 20%. The primary cultivation areas are located in Sinaloa, Chihuahua, Durango, Nayarit, Guerrero, and Oaxaca. "In Guerrero, more than 30% of the hectares cultivated were destroyed, but the threat of recultivation is great, as is the case in Chihuahua, Sinaloa, and Durango," the report explains.

Money laundering is so open in Mexico that the attorney general is demanding drastic changes in national legislation. "The recycling of financial products is classified as a fiscal crime, such that the authorities empowered to pursue this crime can only act on the basis of a complaint by a Finance Ministry official," something which Finance Minister Pedro Aspe has never thought of doing. The attorney general's office recommends establishing a system of detection, verification, and persecution of drug-related financial operations and changing legislation to make money laundering a crime.

These recommendations deserve support, being the only sane proposals to come out of the Salinas government in three years, and go to the heart of the problem. If they were to be implemented, rest assured that the Stock Market, newly rich bankers, and more than one government official in the area of finance will start to scream as loudly as the drug addict demanding his fix.

Prosecution has its cake and eats it too

The government does not expect the truth to derail Noriega's railroad to conviction.

Prosecutors in the federal drug trial in Miami against Gen. Manuel Antonio Noriega asked U.S. District Judge William Hoeverler to delete parts of the indictment against the Panamanian leader before turning it over to the jury. The highly unusual move came on March 10, as the government began the rebuttal phase of the trial.

The government either made no attempt to present evidence to back up those charges—having to do with alleged racketeering—or the evidence it presented, directly contradicted the accusations. More than a question of prosecutorial incompetence, it was a case of having your cake and eating it, too.

By having some of the charges deleted, the prosecution avoided the risk of having Noriega acquitted on at least some of the counts against him.

As the London *Financial Times* noted on March 6, “a rejection by the jurors in the Miami trial of all or most of the charges against General Noriega” could affect George Bush’s reelection efforts.

But, by accusing Noriega of racketeering, the government was allowed to have its witnesses testify to things about which they had no direct knowledge, under the rules of the Racketeering Influenced and Corrupt Organizations Act, (RICO). Hearsay testimony is usually forbidden by law, but is permitted in cases where racketeering is charged. Virtually every one of the bought-and-paid-for prosecution witnesses gave hearsay testimony. Most of them did not even know Noriega before the trial.

Max Mermelstein, the confessed murderer, never met Noriega. Neither did drug kingpin Carlos Lehder. U.S. Attorney Michael Sullivan, the lead prosecutor, conceded in his opening statement last Sept. 16 that “Lehder never met or spoke to Noriega.” Nonetheless, their testimony stands.

At the same time, Judge Hoeverler squelched any reference by the defense to George Bush or to the illegal U.S. drugs-for-arms Nicaraguan Contra resupply operations that Ollie North ran out of the White House. Noriega opposed those operations, and defense lawyers contend that that was one of the reasons the Panamanian leader was gone after.

On March 10, during a hearing in the judge’s chambers, Noriega said that he was claiming his rights as a prisoner of war under the Geneva Convention, and would not testify because of the muzzle imposed by Hoeverler. Dressed in his full military uniform, Noriega addressed the court in Spanish. “I am mentally and physically prepared to testify,” he said. “I have sufficient documents and sufficient mental recollection to answer any of the questions that have been raised during the months that I have been sitting here.”

But, added the Panamanian leader: “My testimony would have to be limited to not include political matters, issues of the war, of the invasion” of Panama. Thus, “I invoke my right not to testify.”

Defense attorney Frank Rubino told reporters afterward that the court imposed further restrictions through

“certain secret decisions I cannot discuss with you.”

Several of the prosecution’s key charges were proven to be lies. Claims that Noriega received a bribe from the Medellín Cartel to protect a drug lab in Panama’s jungle province of Darién, were disproven by a Central Intelligence Agency document introduced at trial and by testimony from a former officer of the Panamanian Defense Forces (PDF).

According to the testimony, Noriega ordered the lab destroyed. The bribe was paid to Maj. Julián Melo, an aide to Gen. Rubén Darío Paredes, Panama’s true drug general and a protégé of former U.S. Secretary of State Henry Kissinger.

U.S. government officials also disproved another key prosecution contention: that Noriega traveled to Cuba in 1984 to ask Fidel Castro to mediate a dispute between himself and the drug cartels. CIA official Donald Winters testified that Noriega actually undertook the trip as a favor to the United States. “We viewed this as an opportunity to bring certain things to [Castro’s] attention,” he said.

And even the heart of the government case, that Noriega was a partner of the Medellín Cartel up to 1984, was ripped apart by none other than the U.S. chief drug enforcement officer during the period in question. Francis Mullen, Drug Enforcement Agency administrator from 1981 to 1985, said there was no evidence that Noriega was ever involved in drug trafficking.

But prosecutors are not concerned that the truth has undermined their case. Though the “case against Noriega is buffeted by inconsistency,” explained the *Washington Post* last Oct. 6, “Miami juries are accustomed to convicting drug defendants and rarely worry about squaring the statements of their confederates.”

International Intelligence

Central American border conflicts heat up

The Honduran Armed Forces are in a state of alert in areas bordering El Salvador, due to the fact that 200 Salvadoran families have been settled in territory which is disputed between the two nations. According to reports appearing in the Mexican press, the families were settled there by the FMLN guerrilla group.

The daily *La Jornada* on March 14 reported that the El Salvador government is considering placing its Armed Forces on alert also, if tensions with Honduras continue. Vice Minister of Defense Gen. Orlando Zepeda described the situation as "serious . . . the government has the patriotic duty to defend its national territory." He suggested setting up a border guard to prevent penetration by Honduran troops.

The Honduran government is also worried that its border may be threatened by recent events in Nicaragua, where joint forces of the Sandinistas and the Contras occupied the town of Ocotal to protest government policy. Ocotal is near the border.

Orthodox patriarchs denounce Vatican

The first summit of Orthodox patriarchs in 1,500 years has concluded with a strong attack on Roman Catholic Church activity in the East, according to reports in the European press. Closing their March 13-15 meeting in Istanbul, the spiritual heads of Eastern Christianity said that attempts by Roman Catholics to proselytize in eastern Europe and the former Soviet Union had inflicted a "most severe wound on the dialogue between the Churches which will be difficult to heal."

Their statement read: "Traditional Orthodox countries have been considered 'missionary territories' [by the Vatican] and proselytism is practiced with all the methods that have been condemned and rejected for decades by all Christians. This has created

a situation incompatible with the spirit of the dialogue of love and truth initiated in 1964 by the late Christian leaders, Pope Paul VI and Patriarch Athenagoras I."

Particularly taken to task were the Uniates, who use Orthodox ceremonies but who recognize the supremacy of the Pope. The Uniates were accused by the Orthodox leaders of being behind the Vatican's conversion campaign in eastern Europe and the former U.S.S.R.

The Orthodox primates went on: "We particularly condemn the activity of the Uniates under the Church of Rome in Ukraine, Romania, east Slovakia, the Middle East and elsewhere against our Church."

The convocation of the 14 Orthodox primates was called by Patriarch Bartholomeos I, who became ecumenical patriarch of Constantinople last October, and who has a strong desire to unite the Orthodox Churches.

Prince Philip in search of Greek Orthodox roots

Britain's Prince Philip "is anxious to rediscover his Greek Orthodox roots," for ecological and other reasons, writes the London *Spectator* weekly of March 14. "He has personally planned a number of foreign trips that will take him on a pilgrimage to the holy peninsula of Mount Athos and to meetings with patriarchs of the Eastern Orthodox Church." Last May, he had a private meeting with the Russian Orthodox bishop in Britain, Metropolitan Anthony Bloom, and he intends to visit Russia in 1993, to meet Patriarch Aleksii II, "the first time that a senior member of the royal family will have visited the country since the Romanovs were assassinated in 1917." In June, he will meet the new patriarch of Constantinople, Bartholomeos I, and address an Orthodox conference in Turkey.

Aside from being attracted by the Orthodox Church's "hierarchical structure," the Royal Consort's personal interest in ecology "naturally pulls him towards the Orthodox Church rather than the Church of England,"

the magazine writes. "As President of the World Wildlife Fund, Prince Philip can readily identify with the more earthly Orthodox approach, and has already agreed to take part in a future series of six radio programs about Orthodoxy and ecology for the World Service" of BBC.

Last November, Prince Philip addressed a pan-Orthodox conference in Crete on why he believed religion held the key to the future of the environment. "The challenge," he said, "is for all the Orthodox Churches to examine their consciences and to consult their scriptures so that all their members can make an appropriate response to the crisis that is now confronting God's creation."

The *Spectator* points out that "Buckingham Palace, aware that the Queen's position as head of the Church of England makes these trips especially sensitive, has been anxious to avoid any publicity."

Syria's Assad shifts his line, attacks U.S.

Syrian President Hafez al-Assad launched a surprisingly strong attack on the United States on March 12, during an address inaugurating his fourth unopposed seven-year term since he took power in 1970.

Referring to American pressure on the issue of North Korean ships delivering Scud missiles to Syria and Iran, and reiterating Syrian determination to acquire more surface-to-surface missiles "according to our needs," Assad asked: "How could America maintain a balance between its new world order of justice and international legitimacy intercepting missiles heading for Syria? How could the door be open for Israel to manufacture all kinds of weapons and with no limits, and at the same time Syria is besieged and prevented from importing? How could America patronize Middle East peace talks which are based on its own initiative and on United Nations resolutions, and at the same time impose a blockade on Syria and other Arab countries? How could this correspond with the new world order said to be the world of international legitimacy?"

Briefly

This is the legitimacy of the jungle, the legitimacy of beasts."

Assad, who brought Syria totally into the anti-Iraq Gulf war "coalition" last year, also charged that only Israel had benefited from the war. He said the conflict was so inimical to Arab interests that it sometimes appeared as if "what happened had been deliberately planned and executed for Israel's interests."

According to reports in the London *Independent* on March 13, Syria has quietly stopped its anti-Iraqi propaganda, while strongly opposing the U.N. Security Council's threat of military action against Iraq. Not only is this said to be a reaction to the current deadlock in the peace talks, but also to a growing realization that the United States wants to turn the Middle East into a "U.S. security zone." There is reported to be a growing sense in Syria that Damascus was deceived by Washington, in return for support in the Gulf war.

Georgian opposition to Shevardnadze grows

Anti-communist figures in Georgia are mobilizing against the appointment of Eduard Shevardnadze as president of the newly created Georgian State Council, the French daily *Libération* reported on March 12.

Nana Kakabadze, a well-known dissident who had been put in jail on charges of "hooliganism" by the KGB in 1983, during the period of Shevardnadze's tenure as Georgian Communist Party chief, says she is "anguished" by the Shevardnadze appointment, calling it "immoral and without foundation. . . . In 1983, he arranged the shooting of four men who were trying to flee the Soviet Union by diverting an airplane toward Turkey. Today, he puts himself forward as the great defender of the Georgian nation, but he has never done anything except to obey the Kremlin. He has always represented the central power and repression; he was hated."

Leaders of the Ilya Chavchavadze Society, the foremost nationalist organization,

have made it known that they are preparing "political actions" against Shevardnadze.

Libération says that growing numbers of Georgians fear that a new dictatorship, under Shevardnadze, is now going to be created. The paper also says that in recent days, more or less coincident with Shevardnadze's return to Georgia, some fruit, cheese, and meat began to reappear in stores. The rumor is circulating that Shevardnadze is exercising "his influence in the local mafia," to ease the shortages at an opportune time.

Malaysian group forms to save Iraqi children

The first large meeting in Malaysia to launch a campaign to Save the Children in Iraq was held March 3 in Kuala Lumpur, Malaysia daily *The Star* reported March 4. The campaign was organized by the Malaysian Medical Association and launched by Datuk Seri Dr. Siti Hasmah, who is a physician and the wife of Malaysian Prime Minister Dr. Mahathir Mohamad.

The campaign's purpose, according to *The Star*, is to raise donations of money, medicines, and medical supplies for the children in Iraq. (It has no official connection with a similar campaign of the same name organized internationally under the auspices of the Schiller Institute.)

"The campaign is a non-partisan humanitarian appeal and we call on all Malaysians to contribute generously to this appeal," said organizing committee chairman Datuk Dr. R.S. McCoy. Dr. McCoy also called on the U.N. Security Council to lift economic sanctions immediately. He said sanctions had hampered reconstruction of Iraq's water and power supplies and caused an acute shortage of food, medicines and medical supplies. "As a result, 500 Iraqi children are dying every day from malnutrition and preventable diseases such as cholera, typhoid and gastroenteritis."

The campaign raised \$10,000 in pledges and \$4,500 in donations at the meeting.

● **RUSSIAN** Foreign Minister Andrei Kozyrev told the March 15 Japanese newspaper *Yomiuri Shimbun* that Russia is gravely concerned about its nuclear scientists going abroad, which "could seriously destabilize the international order now taking shape." In contrast, he emphasized that "Russia's basic science has unlimited potential. I think if we can blend it with Japan's knowledge of advanced technology, major results can be expected."

● **SERBIA** is charging that Iran and Libya are training and arming Bosnian Muslims for war with Belgrade, the Serbian news agency Tanjug said in mid-March. The Bosnians are trained in special camps in Iran and in Libya, the news agency charged.

● **AHMED JIBRIL** has moved his guerrilla training camps from Syria to Iran, the London *Times* reported on March 14. Although Jibril's Popular Front for the Liberation of Palestine—General Command will continue to be based in Damascus, most of the organization will be transferred to three bases in western Iran, and another base in the south.

● **SENIOR BRITISH** establishment figures Sir Michael Palliser of the City of London and Sir Percy Craddock, former head of the powerful British Joint Intelligence Committee, were among the guests at a luncheon to mark the eighth anniversary of the "U.K.-Japan 2000" group hosted by Prime Minister John Major on March 9.

● **EGYPT** will not back nor take part in any western military move against Iraq or Libya, declared Egyptian Foreign Minister Amre Mousa in an interview which the German daily *Frankfurter Rundschau* published on March 13. "Our view is that the future of the regime in Iraq can be determined only by the Iraqi people," he said. "We are not willing to take part in any operation aiming at the overthrow of the regime."

Voters take your choice: George Bush or a Bush clone

by Kathleen Klenetsky

The outcome of the latest round of presidential primaries suggests that the U.S. electorate may well be faced with a choice at the polls this November between George Bush and a George Bush clone, i.e., Arkansas Gov. Bill Clinton.

Between the March 10 Super Tuesday primaries, and the Midwest elections held the following week, President Bush and Governor Clinton edged significantly closer to clinching the nominations of their respective parties.

Despite his grossly anti-labor record, which includes support for right-to-work laws and the North American Free Trade Agreement, Clinton swept the two heavily unionized states of Illinois and Michigan March 18, taking approximately 50% of the vote in each.

With Paul Tsongas fading fast, the only media-designated "mainstream" Democratic candidate who will likely stay in the race through the June 2 California primary is Jerry Brown. Brown came in second in Michigan, largely because of union support, with 26% of the vote to Clinton's 50%.

On the Republican side, Bush, acting on his vow to do whatever it takes to win reelection, pulled out all the stops to keep Patrick Buchanan from scoring the one-third average he's been taking in previous primaries.

The President is now gloating that he's wrapped up the nomination. Bush issued a statement on March 17 crowing that the Michigan and Illinois votes "have pushed the delegate count to a level where my nomination is virtually assured."

The word from Clinton's camp is that the blow-dried *wunderkind*, who began his campaign by admonishing other Democratic candidates not to attack George Bush, shares the same certainty about his own future, but won't quite say so publicly.

An opportunity squandered

The prospect of a Bush vs. Clinton face-off should send shivers up the spine of any U.S. citizen who doesn't want to

see his country continue its headlong plunge into economic and moral collapse.

This holds especially true for the Democratic Party, where disaffection among both rank-and-file and party insiders runs high over the prospects of fronting another presidential "loser."

In the midst of economic depression, it is now possible for the Democrats to mount a successful campaign for the White House, and, more importantly, to effect substantive policy shifts, which, like John F. Kennedy's investment tax credit, could help bring the depression to an end.

Yet, the party will squander that opportunity if it ultimately ends up giving the nod to "Slick Willy."

There are two main problems with Clinton. First is the "practical" question of his electability. The Democrats have demonstrated, with lemming-like regularity over the past two decades, an apparently infinite capacity for choosing a presidential candidate with absolutely no chance of winning. And with Clinton emerging as the designated front-runner, 1992 is shaping up as a continuation of this pattern.

As one wag put it (not referring only to his weight-gain problem): "Clinton's saddled with so much baggage that he needs a 747 jumbo jet to cart it around."

It is a well-known secret that the Bush gang wants the Democrats to nominate Clinton, because he would be such an easy target to scandalize into oblivion. The Bush campaign has already compiled a file on Clinton a mile thick; 35 researchers for the Republican National Committee's "opposition research team" reportedly have been put to work poring over every element of Clinton's background to add more dirt to the dossier.

The Bush team's strategy depends on holding back the scandal-mongering until *after* Clinton secures the nomination this summer, and then letting fly with one piece of dirt

after another once the Democrats have irrevocably committed themselves to a Clinton candidacy.

No end to the Depression

The second, and much larger, problem is Clinton himself. Let's assume that Clinton ends up winning the Democratic nomination, manages to weather whatever sordid stories are unleashed during the general election campaign, and ends up in the White House.

This would be every bit as big a defeat for the country (and the Democratic Party) as a Bush victory.

One of the dirty secrets that has been carefully hidden by the media during the primaries is just how much Clinton resembles Bush in his policy orientation.

A Clinton presidency promises to continue more of the same deadly policies—economic and well as strategic—which have brought the United States to such a sorry pass under Bush's administration. The hairdo and accent would be different, but that's about all.

Indicative of the similarities, is the fact that Clinton began his candidacy by admonishing his fellow Democratic presidential hopefuls not to attack Bush. There was good reason why, and it had nothing to do with any misplaced sense of civility.

In fundamental ways, Clinton is a Bush Democrat *par excellence*. The illustrations are endless. For one, Clinton boasts of being the only one of the Democratic candidates who supported Bush's Persian Gulf war. In a recent poll of the presidential candidates' positions on whether economic sanctions should be continued against a devastated and starving Iraq, which was conducted by the Committee to Save the Children in Iraq, Clinton spokesman Bruce Reed said that Clinton "supports the U.S. sanctions" and believes that "lifting sanctions will not help the people of Iraq."

Clinton's brutality hardly ends there. This self-styled defender of civil rights and the minority community not only backs the death penalty but, for the sake of political gain, personally presided over the execution of a lobotomized black prisoner earlier this year—a sick stunt that makes Bush's manipulation of the Willie Horton story look angelic.

Despite Clinton's recent decision to go after Bush on the economy, there is little difference between his program and that of Bush. Indeed, Clinton, until recently, served as chairman of the Democratic Leadership Council, set up in 1985 to Republicanize the Democratic Party.

Where Bush has tried to cut back Social Security and Medicare, Clinton voted for a National Governor's Association resolution endorsing the same approach. Where Bush is a typical Republican right-to-work advocate, Clinton's labor record in Arkansas—which includes backing right-to-work laws—has been condemned by the head of the Arkansas AFL-CIO. Where Bush supports "free trade" and cooked up the hideous North American Free Trade Agreement that would send millions of U.S. industrial jobs to Mexican slave-

labor centers, Clinton has made backing NAFTA a keystone of his economic program.

About the only issue the two differ on is the foolish one of whether or not to enact a so-called middle-class tax cut. Clinton would have the country believe that his proposed tax cut—which would return about a dollar a day for the average family—will spark an economic recovery, at a time when the entire tax base is being destroyed by the depression.

Clinton and Iran-Contra

There is an even more intriguing area where Bush and Clinton coincide: the Iran-Contra scandal. During the Reagan years, when Vice President Bush was running the Nicaraguan Contra program, Clinton actively supported a string of secret training camps and airstrips in western Arkansas that have been identified by eyewitnesses as hubs of Oliver North's guns-for-drugs trafficking "resupply" program in the Iran-Contra mess.

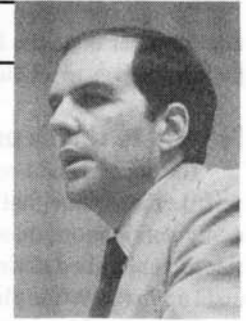
According to court records, eyewitness reports, and press accounts, North personally held a series of meetings in Little Rock, the Arkansas capital, in the early 1980s to set up the secret, illegal Contra weapons pipeline. One of the key players in that secret program was a former TWA pilot named Barry Seal, who worked for years for the Colombian drug cartels shuttling cocaine into the United States.

Seal's operation was based at Intermountain Regional Airport in Mena, Arkansas. Seal owned a small fleet of planes that reportedly ran weapons into the Contras in Central America and brought shipments of cocaine into the United States. Another player in the Arkansas network was Terry Reed, a former combat pilot in Laos who moved to Little Rock in the autumn of 1983 (reportedly at North's request) and set up a training base for Contra guerillas at Nella, Arkansas, located 11 miles from Mena.

Reed testified in 1989 that at least one of the early meetings at which the Nella camp was planned, and at which a number of Contra-related front companies were established, was attended by Roger Clinton, the brother of Gov. Bill Clinton, who was later busted for selling cocaine. According to Reed, similar meetings were attended by Don Lassiter, a Clinton friend and backer.

When Reed tried to pull out of the Contra resupply operation (after discovering that a company he nominally owned in Guadalajara, Mexico was smuggling cocaine into the United States), he was indicted by the U.S. Attorney in Kansas on charges that he had falsely claimed one of his airplanes had been stolen, in order to collect insurance money.

The Kansas indictment was set up by Buddy Young, the head of Governor Clinton's personal security detail. The case against Reed was dismissed by federal Judge Frank Theis, who accused Young of "reckless disregard for the truth." Last July, Reed filed a civil suit accusing Young and others of engineering a false prosecution to silence him.



LaRouche adviser assesses 1992 presidential race

Melvin Klenetsky is a veteran of Lyndon LaRouche's political movement. In 1981, he ran a high-profile campaign for mayor of New York City against Ed Koch, and, in 1982, he challenged Pat Moynihan for the Democratic Party nomination for U.S. Senate in New York State. He played an active role in LaRouche's campaigns for the U.S. presidency in 1984 and 1988 and is now coordinating LaRouche's 1992 bid for the Democratic presidential nomination. Nora Hamerman spoke to him at the campaign headquarters in Leesburg, Virginia on March 19.

In discussing the impact of media on the vote, he mentioned that on the eve of the 1981 mayoral primary, after he had been given major exposure in the electoral debates, he was shown by polls as having 10% of the vote just on the basis of the fact that voters had recognized the name Klenetsky and liked their impression of his policies. The primary was postponed at the last minute, and for three weeks Klenetsky's name was blacked out of the media. When the election did occur, he received only 5% of the vote. "It was a question of name recognition," he points out.

In 1992, LaRouche has qualified for the primary ballot for the Democratic Party in 23 of the 50 U.S. states, and in Puerto Rico. In one of the largest in terms of electoral votes, Texas, he polled 1% of the official returns in the March 10 primary.

Giving constituencies a voice

Where does the LaRouche campaign stand, now that the primary season is about a month old?

"Mr. LaRouche has been a candidate in 13 primaries and he has 16 to go, which could be 17 if we win a legal case in California to get him put on the ballot by the secretary of state," Klenetsky explains. "In nearly 20 states, the secretary of state has the power to place candidates on the ballot, just because he is a nationally recognized candidate. In practically all of those 20 states, the office of secretary of state has played partisan politics against LaRouche—this involves both Republicans and Democrats—except where they were mandated by statutes that clearly indicated that he should be put on the ballot. In a number of states we persuaded the American Civil Liberties Union to take up the fight and reverse the decisions because we have demonstrated that LaRouche is a nationally recognized political figure.

"After all, he put on his own half-hour campaign broadcasts more times than any other candidate in 1980, 1984,

1988, and now in 1992. He has been in scores of primaries in this period. Candidates associated with him have gotten anywhere from 15% to over 50% of the vote. There have been several victories of LaRouche Democrats. In 1986, Mark Fairchild and Janice Hart won the Democratic nominations for lieutenant governor and secretary of state, respectively, in Illinois. In 1988, Claude Jones won the Democratic Party chairmanship in Harris County—that's where Houston is—the second largest Democratic stronghold after Cook County, Illinois, in the United States. So Lyndon LaRouche and the LaRouche Democrats have proven themselves to have a constituency in the United States.

"This is interesting because LaRouche represents a political movement which has set itself the task of reversing the policies which have dominated political life for the past 30 years, since Lyndon Johnson became President in 1963. The LaRouche Democrats find themselves in heated battles within the Democratic Party because the party represents an entrenched political elite which has based itself on policies designed to throw out all political figures which represented ties to the previous set of policies. The reform movements which led up to the McGovern reforms in 1972, were designed to purge out of the party those constituent political leaders representing the trade union movement, farmers, minorities, and entrepreneurs, who were opposed to the post-industrial society policies. The leaders in cities that carried out real manufacturing, and exported that production, found themselves 'watergated' out of power.

"The general population has been left leaderless by these purges. LaRouche is giving them a voice."

No policy discussion

Can you say anything about the number of votes LaRouche is getting in these primaries?

"The issue of votes is very deceptive. Bill Clinton, who was unknown, suddenly becomes the front-runner and gets 52% of the vote when people know nothing about the man and nothing of his policies. For example, he is getting a certain amount of trade union backing although he supports the North American Free Trade Agreement, and the trade union movement has sworn to oppose anyone who backs that policy. Obviously, he has enough corrupt connections in the trade union movement to get allies even though his policy means death for the trade union movement.

"In addition, leaders in the civil rights movement are backing Clinton who, in the middle of the New Hampshire primary, ran back to Arkansas to oversee the electrocution of a prisoner. Both he and his rival Paul Tsongas came out for the death penalty—which no Democratic presidential candidate had ever done. Now the civil rights movement, knowing how black prisoners are targeted within the judicial system in general and are victims of economic and social discrimination, has always opposed the death penalty. This was anathema to the civil rights movement, which is heavily based on the church communities. The death penalty violates the Judeo-Christian ethic. Yet Clinton has received the backing of civil rights leaders, including John Lewis in Atlanta, who took many lumps while marching with Martin Luther King. They are voting on a snap impression or because someone told them to vote that way, but they have no comprehension of the policies.

"The candidates by design have stopped presenting their policies. The political debates around the election have increasingly been designed to take out policy. The sound-byte and the short answer rule the day. In the last century, remember how Abe Lincoln and Stephen O. Douglas went from town to town and demonstrated to the population who was the better candidate and citizens participated in these debates on the fundamental issues facing the country. Through that process a relative unknown, Abe Lincoln, proved himself the superior statesman and thinker and became President. The principle of the Lincoln-Douglas debates has been abandoned. There are no debates."

Well, there are media occasions which are called debates. . . .

"They talk about positions, not policies. The media decide which issues are important. For example, Jerry Brown is 'not for a middle-class giveback tax,' while Clinton is 'for it.' This is designed to destroy the ability of people to begin to understand how the candidate is capable of thinking.

"Candidates come from being unknown, and get elected President, because the establishment gives them financial backing and media exposure."

Building a constituency for policy change

LaRouche is not likely to ever get that backing. How can he win?

"LaRouche is interested in creating a political revolution to overthrow 30 years of the wrong policy. What is required is more than name recognition. We need the formation of a grassroots movement around the policy of reversing the last 30 years. That is the way that LaRouche will come to power—not because he is given the green light by the elite.

"So far he has put on two half-hour nationally broadcast television shows, on Feb. 1 and then on March 8, to explain in-depth to the American people what he stands for. Each time, once every six weeks or so, he is getting the equivalent exposure of what the other candidates get in one day's evening news or morning news or 11 o'clock report on televi-

sion. They are given political exposure in every paper and every radio and television station morning and evening. LaRouche cannot compete with what is offered as a freebie to these so-called major candidates.

"Take the case of Eugene McCarthy, a former U.S. senator and once a highly publicized presidential candidate, who ran in New Hampshire but is not listed as a major candidate and not given media coverage. He got a little more than 100 votes. Tom Harkin and Bob Kerrey, both newcomers to the political scene compared to McCarthy, got tens of thousands of votes, simply because they were constantly publicized by the media. LaRouche will never be handed this free meal. He builds a constituency in the population which is the core of a larger grassroots political movement. When LaRouche got 1% in Texas, in spite of the fact that the establishment did everything to convince voters that he was not on the ballot, that 1% represented a core of the population who had been following his ideas and came out to vote. That 1% is more important than the 52% that Clinton got in Illinois. It was not a glamor vote or a protest vote but a positive vote for LaRouche."

What happened in Texas?

"The state Democratic Party, run by its chairman Bob Slagle, tried to illegally keep LaRouche off the ballot. He had submitted his filing fee and the State Democratic Party committee refused to put his name on the primary ballot. In January, it was front-page headlines all over Texas: 'Democratic Party Kicks LaRouche Off Ballot.' This was the impression left in the voters' minds. Within weeks, the Supreme Court of Texas ruled that the Democratic Party had acted illegally and unconstitutionally under Texas law and put LaRouche back on the ballot. This was not reported in the newspapers, so the impression that was left in the general population was that he was not on the ballot.

"Most voters in most states don't hear that LaRouche is on the ballot. Infrequently, when the papers list the candidates on the last Sunday before the election, LaRouche is given a spot and his positions are presented. In Oregon, we will be on the ballot, but not in the voters' guide, which is produced by the League of Women Voters. Because we were fighting for our ballot status and time was running out, they played a dirty trick to keep us out of the voters' guide. They required a signature of the candidate. Since LaRouche is in prison and it takes time to get that signature, it was not possible to meet their deadline. That is one of many examples which prevent the voters from knowing he is on the ballot."

How to break the media blackout

Aside from his own campaign ads, what can LaRouche's supporters do to break the media blackout against his ideas?

"LaRouche is not just a political figure; he is a patriot, like the Founding Fathers. He understands that Americans are denied in-depth analysis and basic policy discussion needed for the republic to survive, and he has been instrumental in setting up publications designed to bring that information to the population. He is a founder and contributing editor

to *EIR* and he helped to found *New Solidarity* newspaper, which was the precursor to *New Federalist*. He has been involved in setting up scientific journals like *Fusion* and its successor, *21st Century Science & Technology*, which was set up after the federal government illegally bankrupted and shut down a number of publications published by his associates. These periodicals are designed to counter misinformation, but more importantly, to combat a conscious effort by the mass media to destroy the cognitive capabilities of the population and make them cheerleaders for positions."

Since Clinton won the primaries in Illinois and Michigan, and Buchanan was set back in his challenge to Bush, many pundits claim that the nominations for President in both parties are sewn up.

"Opinion is divided inside the Democratic Party itself as to whether any of the existing candidates—of course they don't include LaRouche—can defeat Bush. Former New York Mayor Koch, for example, on national television, said he did not feel that any of the candidates now in the primaries can defeat Bush, although he says Bush is defeatable. On the other hand, Sen. Paul Simon (D-Ill.), who ran for President in 1988, says that after Clinton's latest primary victories, the party should coalesce around Clinton and concentrate on winning the election.

"Democratic National Committee chairman Ron Brown is anxious to move things forward as rapidly as possible around one candidate to put up a united front against Bush. But these candidates are considered the second and third tier of the party's eligible candidates. The front-runners would have been Gov. Mario Cuomo of New York, House Majority Leader Richard Gephardt (D-Mo.), Senators Al Gore (D-Tenn.) and Sam Nunn (D-Ga.), but they aren't running. In reality, neither the first nor the second tier of the party represents any policies which are fundamentally different from Bush's. They cannot resolve what is shaping up as the greatest crisis of the century.

"The electorate is expressing its discontent with its choices by a very small turnout. There are exceptions, but these are usually dominated by local politics, not national politics. In the recent round, in Michigan, only 18% of registered voters turned out, and 82% stayed away. The *Washington Post* published an exit poll which indicates some of the problems perceived even by those who vote. After the March 17 round, 47% of Democrats who voted were not satisfied with the party's candidates, and 44% wanted someone else to enter the race. On the Republican side, only 33% of Republicans who voted approve of Bush's handling of the presidency, and 77% said they think the economy is a mess.

"The abstention is not new, but it is becoming more acute. In 1988, only 50% of registered voters voted in the general election, and only about 20% showed up for the primaries. The pattern goes back at least 20 years."

This indicates that voters don't believe they can or should take part in the selection of the candidates in the primary process.

LaRouche on the ballot

The following information was provided by the LaRouche in '92—Democrats for Economic Recovery staff. Lyndon LaRouche was on the Democratic presidential primary ballot in the following states: New Hampshire (Feb. 18); South Dakota (Feb. 28); Maryland, Colorado (March 3); South Carolina (March 7); Mississippi, Massachusetts, Rhode Island, Texas, Louisiana, Oklahoma (March 10); Illinois, Michigan (March 17).

As of March 19, he is on the ballot in upcoming primaries in: Connecticut (March 24); Puerto Rico (April 5); Kansas, Wisconsin, Minnesota (April 7); Pennsylvania (April 28); Ohio (May 5); Nebraska, West Virginia (May 12); Oregon (May 19); New Mexico (June 2). He expects to qualify for the ballot in: Washington (May 19); Arkansas (May 26); Alabama, New Jersey (June 2); North Dakota (June 9). Ballot status is also being sought in Idaho and California, which have primaries in June.

"People are alienated from political life on every level. They don't believe the leadership. Mr. LaRouche has addressed this by defining the decline of the United States from the standpoint of its political, economic, and moral life. Since the assassination of John F. Kennedy there has been a process of alienation, as both parties have been restructured with the introduction of the post-industrial society.

"The former alliances of the Democratic Party, which were between labor, farm, entrepreneurial, and minority sectors, were abandoned, and from the 1972 McGovern reforms onward, the Democrats became a party of special interests. In urban and rural areas, the Democratic Clubs no longer help people with their day-to-day problems."

Something to vote for

Is this why Republican Presidents get elected—although judging from the composition of Congress, most Americans are still Democrats?

"Elections are reactions against individuals instead of a vote for a positive policy, in the sense that people voted for Franklin Roosevelt and later, to some extent, for John Kennedy. JFK got us out of the Eisenhower depression using a combination of the Apollo space program and the investment tax credit, to get the country going again. The net effect is a positive and strong image of JFK in the population which was transferred to his brother. Robert Kennedy could have won in 1968 if he had not been killed.

"Look at the Presidents. Truman so offended people by his handling of the Korean War that he lost to Eisenhower in

1952, who picked up the political momentum developed by Douglas MacArthur, who was kept out of running by the machinations of the eastern liberal establishment. Eisenhower's policies led to the 1956 recession and set the nation back fundamentally from the industrial recovery that had been developed to fight World War II. Kennedy is elected in 1960, and assassinated in 1963; and LBJ comes in. Because of the Vietnam War, Johnson does not run again—he got the level of voter rejection that Bush has been experiencing in the Buchanan vote, but Bush is not dropping out. That was in 1968.

“Nixon came in as a vote against LBJ and the post-industrial society. Then, in 1974, Watergate breaks open, Gerald Ford is placed in the White House, and Jimmy Carter's election in 1976 is a vote against the corruption of the Watergate scandal. Ronald Reagan is elected in 1980 as a reaction against Carter's policies. His second election term is a continued reaction against Carter's legacy carried through by Mondale, and Bush rides the same coattails to the White House in 1988. Now, the reaction to the Carter legacy is running out. The Republicans have had three terms, and the people have gotten fed up.

“The Carter legacy is not different from Reagan-Bush, because it is continuation of post-industrial policy under different names. Both are rabid environmentalists. Both have rabid population control policies toward the Third World. Both welcome technological apartheid, which is a new name for colonialism. This will reintroduce the same evil policies that prevent a positive outward expansion and a natural market.”

The anti-establishment candidate

Some people would say that LaRouche is running now with his biggest handicap: He is in federal prison. Yet, the campaign is going up front with this. It has been a theme in both television shows, and on the campaign posters. What is the response? Is it a plus or a minus?

“The American population in this election has come to understand in a fundamentally different way from 1988 that the whole system is rotten. Of course, people felt it in Watergate. And that reflected the sense that there had been a coverup around the JFK assassination. The policies of the country are driving the nation back into poverty. It is the decline of the greatest industrial and agricultural superpower in the world. Oliver Stone's 'JFK' movie this year captured this sense that something was rotten in the highest places.

“Ronald Reagan pushed himself into political power by playing on that feeling in the population. He appealed to an antipathy to big government. As a professional actor, he convinced Americans that he was sincere, yet under his administration the same policies were perpetrated and the economy has gone into deeper collapse. The political corruption still prevailed in the Reagan-Bush period—exemplified by Iran-Contra.

“Jerry Brown is trying to capture the discontent by presenting himself as an anti-establishment figure. This is a big

joke, as was Reagan's image as a radical or maverick representing the conservative wing of the party against the Big Boys. Jerry Brown is as much a part of the establishment as Clinton and Carter. LaRouche is not; he is in prison. That's the message on the posters, that he is the only candidate George Bush feared enough to put in prison.

“LaRouche is putting on half-hour television shows. Most of the other candidates have trouble developing a concept for more than 20 minutes. If they do talk longer it is just rhetoric. Our shows are getting a phenomenal response: over 500 letters from the first show, we're on a similar trajectory in the second. The letters talk about his being in prison. Without knowing the details, they say they believe Bush put him in prison because of the policies he stands for. That is the best demonstration that can be given to the public that he is anti-establishment and committed to turning around the policies of the last 30 years, which led to the industrial and economic decline of the country.”

What do you think will happen next July at the Democratic convention?

“It's impossible to tell at this point. There is a strong sentiment throughout the Democratic Party that they need another candidate besides Clinton, Tsongas, and Brown. The scandals that have broken in and around Bill and Hilary Clinton just scratch the surface. It is possible that Clinton could get the nomination and then, when he runs against Bush or someone like Quayle, if Bush should drop out for health reasons, the scandals would surface. It is also possible he could be taken out by scandals prior to the convention. Then we might see a brokered convention. The last time that occurred was the nomination of Hubert Humphrey in 1968. The result of the backlash against that was the McGovern reforms which led to the primary system as we have it today. The real problem is not the selection process, it is the policies. The LaRouche movement will be at the convention to put his name in nomination and to put his policies forward as a rallying point for reviving the Democratic Party.”

Do you think there is a danger of a reaction to the Bush globalism, the new world order, in the form of an America First movement such as Pat Buchanan is appealing to?

“It is very easy for Americans to fall into that narrow thinking. But there is not as much as one might expect. Look at the way opposition to the North American Free Trade Agreement is being discussed in the trade union movement. For over a decade, labor has been told that their troubles come from abroad, because supposedly Japanese and German workers are willing to work harder for peanuts. Now, the establishment, under free trade, is setting up assembly plants over the border to pay workers at most \$1-2 an hour. The way the trade unionists are discussing this is that Mexicans are being exploited, too, and not just that the American workers are losing their jobs. This is new. That is so rapidly understood that it breaks through the 'me first,' 'America first' mentality. That shows that the population is open to a more universal type of thinking.”

Inslaw: one scandal that won't disappear

by Jeffrey Steinberg

Last November, during his confirmation hearing as attorney general, William Barr announced the appointment of a retired federal judge, Nicholas J. Bua, to conduct a special investigation into the Inslaw affair.

Inslaw is the Washington-based computer software firm that was driven into Chapter 11 bankruptcy in the mid-1980s as the result of what several federal judges ruled was "trickery, fraud and deceit" by the Department of Justice. Inslaw charges that a crew of senior Reagan administration officials, led by Attorney General Edwin Meese, conspired with private businessman Dr. Earl Brian, the CIA, and others to bankrupt the computer firm in order to steal a valuable piece of software called PROMIS, a data-tracking system ideal for use by criminal prosecutors and intelligence agencies alike. The Justice Department alone planned to let out nearly \$1 billion worth of contracts for just such a software system during the Reagan years.

After nearly a decade of legal battles, congressional hearings, and media probes, last year, the U.S. Court of Appeals threw out Inslaw's multimillion-dollar judgment against Justice on purely technical grounds. The U.S. Supreme Court refused to take up the case, sending Inslaw's lawyers back to square one.

Despite the court's action, the Inslaw scandal continued to grow, fueled by an aggressive probe by the House Judiciary Committee, which last year turned into a donnybrook between committee chairman Rep. Jack Brooks (D-Tex.) and then-Attorney General Richard Thornburgh. Thornburgh's effort to withhold hundreds of pages of crucial evidence about Justice Department duplicity in the Inslaw bankruptcy and alleged theft of PROMIS was a big contributing factor in his eventual "retirement" as attorney general and his defeat by Sen. Harris Wofford in a special Senate election in Pennsylvania last autumn. It was the heat of the Brooks-Thornburgh brawl and the sting of the Thornburgh electoral loss that prompted incoming Attorney General Barr to make the conciliatory gesture of appointing Judge Bua as his special investigator in the Inslaw caper. For months the Bua probe seemed to be going nowhere, prompting charges that Barr was engineering a bureaucratic coverup.

Now, once again, the Inslaw affair is showing signs of resurfacing as a major scandal. According to one well-placed Washington source, the Bua probe has indeed turned up evidence of serious misconduct—possibly criminal—on the

part of some longtime Justice Department officials. And the scandal, according to this source, extends beyond just the Inslaw case to other politically motivated "dirty tricks" run out of the Justice Department. On Jan. 28, Nicholas Bua traveled from Chicago, where he is directing the probe out of his law firm (with the help of three assistant U.S. attorneys and a team of FBI agents), to Washington to meet with Attorney General Barr. At that meeting, he asked for and received the okay to subpoena witnesses before special grand juries that will convene in at least three cities.

The Canadian connection

One possible source of the renewed action around the Inslaw case is evidence that surfaced late last year indicating that stolen copies of the PROMIS software were illegally sold to the Canadian government.

First, Inslaw received an official communiqué from the Canadian government requesting technical data about the PROMIS software, which the memo said was being used in over 900 Royal Canadian Mounted Police (RCMP) stations, and in a smaller number of offices of the Canadian Security and Intelligence Service (CSIS), Canada's CIA. Inslaw never sold PROMIS to the Canadians. Inslaw had, however, amassed a series of affidavits from current and former U.S. and Israeli intelligence assets who claimed first-hand knowledge of sales of pirated copies of PROMIS by Dr. Earl Brian to a number of foreign governments, including Canada. The source of the alleged pirated PROMIS software was the U.S. Department of Justice. The Canadian government tried to correct the gaffe by claiming that the letter to Inslaw was a technical error and that Canada was not using PROMIS. However, efforts by Inslaw to obtain documents relating to PROMIS under the Canadian equivalent of the Freedom of Information Act turned up 28 pages of material that were withheld on the grounds of "national security . . . the conduct of international affairs, the defense of Canada or any state allied or associated with Canada."

Charles Greenwell, an Ottawa television investigative journalist, aired a report on Feb. 13 citing an RCMP source that the classified documents exposed how the PROMIS software had been obtained by the RCMP and CSIS. One week later, another Canadian journalist, Eric Reguly of the *Financial Post*, reported that his paper had been contacted by an Ottawa man who had been interviewed for a computer job with CSIS and had been specifically queried about whether he had ever worked with the PROMIS software. He was told that PROMIS was being used by CSIS.

The Inslaw story becomes more and more complex as time passes. However, Inslaw President William Hamilton's pursuit of every thread of evidence appears to be turning up new leads. Sometime soon, the House Judiciary Committee will issue its final report on its Inslaw probe. The expectation is that Brooks will call for the appointment of a special prosecutor, independent of the Justice Department.

State Dept. promises to answer U.N., continues to evade rights charges

Under persistent questioning from *EIR* Washington bureau chief William Jones, the U.S. State Department has been forced to come out with a statement which Lyndon LaRouche called "closer to the truth about the trial" that led to his imprisonment in 1989. But the latest statement still does "not reply to the allegations" contained in an official request filed by a United Nations human rights official based in Geneva.

An official State Department reply posted on March 10 finally promises that the government will respond to the Feb. 7 request of U.N. Special Rapporteur Angelo d'Almeida Ribeiro for information about allegations that the Declaration against Discrimination Based on Religion or Belief had been violated in the case of Lyndon LaRouche. In response to a question on Feb. 26, the State Department answer had ignored the U.N. Special Rapporteur's request (see *EIR*, March 13).

State Department spokesman Richard Boucher was put on the spot again by Jones on March 9. Jones pointed out that the earlier "answer" did not address the Special Rapporteur's report, but talked about an earlier complaint submitted by a private party. Finally, on March 10, another reply was posted:

Q. "Has the United States government repeatedly refused to provide the United Nations Special Rapporteur on Religious Intolerance with information regarding the imprisonment of Lyndon LaRouche?"

A. "On Dec. 16, 1988, Lyndon LaRouche and six of his associates were convicted in Federal District Court in Alexandria, Virginia on various counts of mail fraud and conspiracy to commit mail fraud in violation of U.S. federal laws. In addition, Mr. LaRouche was convicted of conspiracy to defraud the U.S. Internal Revenue Service.

"These convictions and other proceedings against members of Mr. LaRouche's organization resulted from the fraudulent fundraising activities conducted by Mr. LaRouche and his supporters to finance his presidential candidacies and other political activities.

"The U.N. Human Rights Center, which provides logistical support to the Special Rapporteur on Religious Intolerance and other U.N. Human Rights activities, has been provided with detailed information regarding LaRouche's conviction several times in the past. The United States has been forthcoming to the U.N., in keeping with U.N. activities in the field of human rights. We will respond in the same fashion to the most recent request of the Special Rapporteur."

They're still lying

Lyndon LaRouche's reply, on March 10, follows:

The U.S. State Department, so far, has failed to issue a visible reply to the charges contained against the United States government in a recent report by the Human Rights Special Rapporteur of the United Nations.

At the same time that the U.S. State Department in various parts of the world continues to distribute, widely and vigorously, reports contrary to all fact, the State Department has recently issued, in Washington, two statements concerning my trial. While neither is forthright nor responsive to the Special Rapporteur's request for reply, the second of the two comes closer to the truth about the trial than anything I've heard from the U.S. government, State Department-related sources in recent time. However, they do not reply—I emphasize, they do not reply—to the allegations.

The essence of the matter is that my associates and I were convicted in a trial in Alexandria, Virginia in December 1988 on charges growing out of the successful attempt by the U.S. government—that is, the prosecution itself—to bankrupt three firms associated with my political movement.

This had no relationship to any political campaign funding of mine. In point of fact, that separation was strictly emphasized in the course of the trial. Rather, the entire trial involved \$294,000 of alleged debts un-repaid by these three firms, specifically one, Caucus Distributors, Inc.

By means of suppressing the relevant evidence and by means of stacking the jury, the prosecution was able to secure a verdict to the effect that I and my associates had been negligent in failing to terminate the operations of these three companies before the government had succeeded in bankrupting them.

Subsequent to the trial, the federal courts have ruled, finally, that the government actions in causing that harmful bankruptcy, that wrongful bankruptcy, were illegal, were done in bad faith, and were accomplished by aid of a constructive fraud upon the bankruptcy court.

The human rights complaint against the U.S. government in this matter, flows from the fact that the government has used unlawful and other wrongful means to bring about a wrongful verdict and a wrongful detention in violation of the principles of human rights agreed to by members of the United Nations.

In addition to the unlawful bankruptcy, other violations of the law include massive suppression of tens of thousands

of documents of evidence which were exculpatory, that is, which would have tended to or would have proved the defendants' innocence. In addition to these unlawful means and suppression of evidence, the government resorted to false witness obtained by aid of inducements, and to massive lying by the prosecuting attorneys and others representing the government in the case itself.

Specifically, the defendants in the case, as in an earlier Boston case which the government abandoned, charged that the entire case was brought about by aid of politically motivated actions by the government, including actions taken under Executive Order 12333 and similar methods or auspices.

The government said that there was no E.O. 12333 file, and that there was, in effect, no White House political involvement in this case. It has been subsequently conceded by the government that there is an E.O. 12333 file on LaRouche, and that George Bush personally is sitting upon a file which is known to contain masses of exculpatory evidence.

So to date, the following charges have been brought before the U.N. Human Rights Commission:

"Mr. Lyndon H. LaRouche is reported to have been subjected to harassment, investigation, and prosecution solely

because of his beliefs . . . [which] are centered on the right of all peoples to development and economic justice. . . .

"Mr. LaRouche's trial is said to have been unfair and conducted in disregard for guarantees necessary for the defense. Exclusion of evidence has also been reported in this connection as well as the passing of an excessive sentence for crimes which are usually said to be regarded as minor civil or administrative infractions. . . .

"Fifty persons have so far been indicted because of their links with Mr. LaRouche's association and it has been reported that they, too, have had unfair trials. . . .

"Mr. LaRouche's beliefs have also reportedly resulted in the seizure and closing down of five publishing companies whose publications had disseminated the ideas of his association."

The suppression of beliefs cited in the Special Rapporteur's report has been aided by the circulation of false characterizations of the charges against LaRouche, throughout the international and domestic news media by the State Department and other U.S. government agencies.

To date, the State Department has issued no reply or clarification to evidence of illegal and other wrongful actions by the U.S. government in obtaining this indictment and conviction.

Virginia court rulings will be challenged

The Virginia State Supreme Court in mid-March refused to grant Rochelle Ascher, an associate of Democratic presidential candidate Lyndon LaRouche, an appeal of her conviction on politically motivated "securities fraud" charges. In a related development, the Virginia Court of Appeals, the state's intermediate court, refused to grant an appeal to three of Ascher's co-defendants, Anita Gallagher, Paul Gallagher, and Lawrence Hecht. The two decisions show the willingness of the state's appeals courts to bend the law to uphold Virginia Attorney General Mary Sue Terry's politically motivated prosecutions of LaRouche's associates in Virginia.

The State Supreme Court disregarded any pretense of a fair hearing when they allowed Justice Elizabeth Lacey to sit on the panel that heard Ascher's petition for appeal. Lacey was promoted to the Supreme Court from her post as chairman of the the State Corporation Commission after she made the first ruling ever that political loans were "securities." Her ruling as SCC chairman cleared the way for the criminal prosecution of Ascher and her co-defendants. Never before had loans to a political movement ever been considered "securities." In her SCC ruling, Lacey said, "This is a case of first impression."

Ascher's attorney, John P. Flannery, II, objected to

Lacey sitting on the Supreme Court panel on the grounds that Lacey could not give Ascher a fair hearing because she had already pre-judged the issue. Justice Compton rejected Flannery's argument, arrogantly claiming that the court could do whatever it wanted.

Ascher intends to appeal the ruling to the U.S. Supreme Court.

The Virginia Supreme Court's refusal to hear Ascher's appeal leaves in place, for now, the Virginia Appeals Court decision which upheld Ascher's original frame-up conviction. That decision has since been applied in other cases of LaRouche associates in Virginia.

The most recent application was in the case of Ascher's co-defendants Gallagher, Gallagher, and Hecht. In that case, the Court of Appeals sank to new lows in denying their petition for appeal on all but one issue.

The three-judge panel ruled that Gallagher, Gallagher, and Hecht could be found guilty of securities fraud even though neither they nor anyone else knew that political loans could be considered "securities," because they never before had been so classified. In making their ruling, the Appeals Court cited a different section of the Virginia Securities Code than the one the defendants were convicted under. The Appeals Court also approved of trial Judge Clifford Weckstein's refusal to grant key defense subpoenas.

The Appeals Court did agree to hear an appeal on trial Judge Clifford R. Weckstein's refusal to recuse himself from presiding over the trial in the first place. Weckstein had been exposed as having a cozy relationship with the

ADL-linked law firm nailed in S&L coverup

by Steve Meyer

On March 9, in an agreement between the New York law firm of Kaye, Scholer, Fierman, Hays, and Handler and the Office of Thrift Supervision (OTS), Peter Fishbein was barred from practicing banking law. Fishbein represented Charles Keating's Lincoln Home Savings and Loan when it was called before the Federal Home Loan Bank Board (FHLBB) in 1986 and 1988. (The bank later failed and was seized by federal authorities.)

Fishbein is also an executive of the Anti-Defamation League of B'nai B'rith (ADL). This affair provides fresh

Anti-Defamation League of B'nai B'rith, which has been an integral part of the prosecution team. Despite a clear appearance of bias, Weckstein continues to preside over the "LaRouche" cases. Attorneys for Gallagher, Gallagher, and Hecht have filed a petition for a rehearing.

Terry under fire

These decisions come immediately after increasing public criticism of the Virginia court system and Virginia Attorney General Mary Sue Terry. Earlier this year, the *Richmond Times-Dispatch*, the newspaper of the state's old-line establishment, devoted two lead editorials to attacking Terry for being "politically motivated" in her prosecution of LaRouche's associates in Virginia. The *Richmond Times-Dispatch* cited recently disclosed FBI documents in which FBI agents described Terry's actions as being politically motivated. The editorials also criticized the outrageous sentences meted out against LaRouche supporters, while big-time Wall Street crooks get lenient sentences.

Terry has also come under fire for her bloodthirsty commitment to carrying out executions even when there is clear evidence that the condemned are innocent. Terry and her assistants consistently argue that evidence of innocence should not be considered once a death sentence has been handed down. Virginia is one of the few states in the United States that does not allow courts to hear new evidence in death penalty cases except within 21 days of conviction.—Bruce Director

evidence of the fact that the ADL, a private lobby which has nestled into federal and state law enforcement agencies in an official capacity all over the United States under the guise of being a leading civil rights organization, is really a front for organized crime.

Case for criminal prosecution

The OTS filed an administrative complaint on March 2, charging that Kaye, Scholer had contributed to Lincoln's losses through its representation before the FHLBB. OTS froze the firm's bank account, issued a fine of \$275 million, and was also holding Fishbein personally responsible. In the final settlement, reached in early March, the firm agreed to pay \$41 million in damages.

The unprecedented action by the OTS has sparked a debate inside the legal community over the issue of whether a law firm should be subject to regulatory actions for vigorously defending clients. Indeed, the action by OTS raises real constitutional issues, particularly in the context of the Bush administration's track record of widespread abuse of the authorities of the Executive branch.

While there is little doubt that Fishbein and his team of corporate lawyers at Kaye, Scholer were complicit in the coverup of criminality by Lincoln, many legal experts have argued, correctly, that Fishbein and others should have been criminally prosecuted (as were Lincoln chairman Charles Keating, Drexel Burnham's Michael Milken, and others) for their actions. They would have thus been afforded the full constitutional protections under the Sixth Amendment.

The firm has already been found to have been wittingly involved in the Lincoln debacle. Last year, the firm paid \$21 million in two class-action suits brought by investors who had bought junk bonds issued by Lincoln and who had lost their shirts when the thrift failed.

Peter Fishbein and Dope, Inc.

Fishbein and his law firm have represented some of the most notorious elements of the international dope mafia. According to *The American Lawyer Guide*, his clients include:

- Fishbein has represented Carl Lindner's American Financial Corp. According to several of the recently published books exposing the inner workings of convicted felon Michael Milken's junk bond industry, Lindner and American Financial were at the core of Milken's well-oiled apparatus. Not only was Lindner Drexel Burnham's biggest client, but he was also the closest to Milken personally.

In 1975, just as Milken was getting under way, Lindner took over United Brands after its chairman, Eli Black, took a short walk out his 44th floor office window. Lindner installed as chairman his financial partner Max Fisher, the former member of Detroit's notorious Purple Gang and currently a national commissioner of the ADL. *Dope, Inc.*, *EIR*'s bestselling book on the international drug cartel and its corporate and financial fronts, revealed that, according

to law enforcement sources, United Brands ships carried a substantial portion of the cocaine brought into the United States during the 1970s.

● Kaye, Scholer also represents Trizec Corporation Ltd., the Canadian holding company operated by the notorious Bronfman family. During Prohibition, the Bronfmans were part of organized crime running whiskey across the Canadian border into the United States. According to Canadian intelligence, a maze of Bronfman-connected companies was involved in drug smuggling and money laundering into and out of the United States. Edgar Bronfman, the chairman of Seagram's, is a major funder and executive of the ADL.

● Kaye, Scholer has also been chief outside counsel to Sterling National Bancorp and its subsidiaries. According to organized crime experts, Sterling National Bank was founded in 1929 by one of Meyer Lansky's closest syndicate associates and chief money handlers, Frank Erickson. It is the ADL's major bank. From 1934 until his recent retirement, Theodore H. Silbert was a director of Sterling National Bank and its longstanding chairman of the board. Silbert is a member of the ADL's National Commission.

Until he ran into trouble, Peter Fishbein was the managing partner of Kaye, Scholer. Since 1970, he has been a member of the board of the ADL's powerful chapter in Westchester County, New York. His partner Milton Handler received the ADL's Lawyers Division Human Relations Award in 1979.

Arthur H. Goldberg and Integrated Resources

The firm is also representing Arthur H. Goldberg, a defendant in a shareholders' suit filed against Integrated Resources, a New York-based insurance and investment company that, on June 15, 1989, defaulted on nearly \$1 billion of debt. Goldberg was a founder, director, and officer of Integrated which, since 1978, had been part of Michael Milken's junk-bond industry. Integrated bought and sold junk issues in Milken's daisy chain, invested in leveraged buyouts, and was involved in hostile acquisitions.

The suit alleges that Goldberg was involved in a conspiracy to defraud shareholders by inflating the price of Integrated stock, and using accounting tricks to mask the company's real financial condition. It also alleges that, based on his inside information that Drexel could not roll over Integrated's debt, Goldberg sold 10,000 shares of his own Integrated common stock weeks before Integrated's default, and failed to disclose the sale until well after it collapsed.

Goldberg was also close to Milken. Just two days after Milken was indicted on 98 felony counts ranging from securities fraud and insider trading, to perjury and racketeering, Goldberg signed a full-page advertisement which appeared in major newspapers across the country headlined "Mike Milken, We Believe in You."

The ADL had also believed in Milken. Before his arrest and conviction, Milken presented the ADL with a whopping \$1 million seed grant to start the ADL's World of Difference program.

From Yalta to the Gulf war

A Public Broadcasting Service (PBS) documentary aired one year after the end of the Gulf war revealed how the Anglo-Americans erected a controlled environment around Israel and the Arab states from the days of Israel's founding to the present.

The documentary "The Secret Files: Washington, Israel, and the Gulf," produced by the *Washington Post* and narrated by editor Ben Bradlee, "reconstructs for the first time on television the original U.S. commitments to Saudi Arabia and Israel that lay behind America's involvement in this recent war." The program draws from newly declassified material to reveal how Presidents Roosevelt, Truman, Eisenhower, and Kennedy "used secret agreements and personal contacts with Saudi Arabia and Israel to shape America's national policy that culminated in the

Gulf War," according to a release from PBS.

For example, the program reveals that President Roosevelt went directly from his meeting in Yalta with Churchill and Stalin to the Middle East to negotiate Saudi Arabia's virtual neutrality on the establishment of a Jewish state in Palestine. In exchange, Roosevelt promised U.S. military support. One of the "secret documents" was a State Department cable to Riyadh immediately after Roosevelt's negotiations promising that if Saudi Arabia was "attacked . . . or under threat of attack," the United States would "take energetic measures to ward off such aggression" through the United Nations.

By the 1970s and '80s—during the years shaped by Henry Kissinger's "shuttle diplomacy"—the U.S. Army Corps of Engineers constructed a number of secret military bases on Saudi soil intended to protect it from attack by Arab states—principally Jordan and Iraq—and also from Israel.

It was under cover of those post-World War II secret agreements and from those secret bases that the U.S. launched its war against Iraq.—*Katherine Notley*

Scientific manpower shortfall: Is it real? What can be done?

by Mark Wilsey

A couple of years ago, the alarm was sounded by various groups that U.S. competitiveness was in jeopardy due to a projected shortage of scientists and engineers by the turn of the century. The source cited was the National Science Foundation (NSF). A case, based upon the NSF projection, was built for more science education funding. Now, the NSF is being accused of crying wolf over this potential shortfall in scientific manpower, and is coming under fire from Capitol Hill and other quarters.

The reported projection of the NSF was that the United States will be short 700,000 scientists and engineers by the year 2010. This was expressed as a cumulative shortfall in science and engineering bachelor degrees below the rates of the mid-1980s. The problem NSF faces is in defending numbers which came from an NSF analysis paper that, though widely circulated, was never published as an official NSF report.

Criticism of the NSF comes from those whose job is also to monitor manpower needs and who fail to see an imminent crisis. It is argued that by "twinking" the data on the demand side of the equation, the shortage on the supply side can be smoothed out. The trends toward shrinking budgets, defense cutbacks, and corporate down-sizing tends to shrink demand, critics argue.

Some critics argue the free market approach, that wage scales will balance out supply and demand. If there is a shortage, then rising wages will attract more scientific manpower; an oversupply of scientists and engineers will drive wages down and people from the market.

Professional associations, whose members are feeling the effects of a weakening economy, felt that such projections did not correspond to current realities. Such reports may only serve to flood more scientists and engineers into an already tight job market. It is also pointed out that there is a pool of technical talent in the labor force which is not employed in the scientific field, and this could be tapped if needed.

Last July, Rep. Howard Wolpe (D-Mich.), chairman of the oversight subcommittee of the House Science, Space, and Technology Committee, called for an investigation of NSF to see if this analysis had undergone sufficient review and to determine if it was politically motivated.

So far, investigations of NSF methodology of analysis and the quality of its data have shown that, like most government agencies, it could be better. But what is clear is that

the mere suggestion of a possible shortage of scientists and engineers strikes a raw nerve. The question remains, what can be said about the future needs for scientific manpower in the United States?

The shortfall

The NSF projection is based upon the future demographics of the U.S. college-age population, along with a decline in the college enrollment of freshmen in science and engineering. According to the U.S. Census Bureau, between 1980 and the year 2000, the 18- to 24-year-old population is expected to decline 19%, while the overall population is expected to increase by 18%. In real terms, the number of 22-year-olds is expected to drop from 4.4 million in 1983 to 3.3 million by 1996.

U.S. freshman enrollment in science and engineering has been slipping steadily since 1982. The result has been a 10% drop in the number of undergraduate science and engineering degrees awarded from 1986 to 1988, a loss of more than 20,000 degrees.

Given that fewer students are seeking science and engineering degrees from our educational institutions, and that more of our current technical work force is nearing retirement, coupled with a modest 2% projected annual growth rate in engineering employment demand, there could be a significant shortfall of technical manpower by as early as the mid-1990s. For certain engineering specialties in emerging technologies, such as advanced materials or enhanced microchips, positions are becoming harder to fill.

The National Research Council (NRC) has studied the manpower prospective in the specific fields of mathematical sciences, biomedical research, and nuclear engineering, and has issued their findings in various reports.

Despite increased federal support and recent accomplishments in mathematics research, the NRC finds that "the numbers of supported senior investigators, graduate researchers assistants, and postdoctoral researchers are still seriously out of balance with the numbers supported in other sciences of comparable size," as well as that "the rate at which young people enter the mathematical sciences remains inadequate to renew the field."

For biomedical scientists, the NRC notes that since the early 1980s, demand has been growing relative to supply. A 1989 survey of biotechnology companies found shortages,

defined as unfilled vacancies for 90 days or longer, amounting to 5.5% of total scientists employed. "Industrial employment growth is over twice the rate of academic employment growth." Unless demand falls or enrollments increase, the NRC projects "an undersupply of biomedical PhDs [doctoral degrees] into the next century," particularly in the R&D segment. However, the NRC fails to note that a drop in "demand" is just as bad as an "undersupply" to the health of our nation.

Although the collapse of nuclear engineering education in the United States is not surprising, the picture that the NRC presents is stark nonetheless. The undergraduate enrollment in nuclear engineering has gone from 1,150 students in 1978, to 650 in 1988. University nuclear engineering departments have dropped from 80 in 1975, to 39 in 1987. There were only 27 on-campus nuclear reactors in use for training, compared with 76 in 1970.

Testifying before the House Subcommittee on Energy last March, Dr. Marcus H. Voth, associate professor of nuclear engineering at Pennsylvania State University, compared U.S. research reactors to those in the Third World. He stated that "most of the university reactor facilities in the U.S. have been in service since the 1950s and '60s," and that "to remain technologically competitive, the aging U.S. facilities now require equipment replacements, modernization, and upgrade. . . . Without new sources of funds for upgrades U.S. URRs [university research reactors] suffer in comparison with newer or upgraded similar installations in Europe, Japan, the U.S.S.R., and even in emerging countries such as India."

The NRC report concludes that "even if there is no demand growth in the future, supply will not satisfy expected demand if present trends in nuclear engineering education continue." However, if there is a resurgence of nuclear power, the best estimate is "that the annual demand for nuclear engineers would increase at least 200 and possibly 300% between 2000 and 2010."

The report notes that while the undergraduate course work focuses on power reactor science and technology, less than 20% of funded research concerns power reactors. Therefore, the NRC calls for expanded funding for power reactor research, "to ensure that faculty retain the skills and enthusiasm necessary for the undergraduate curriculum."

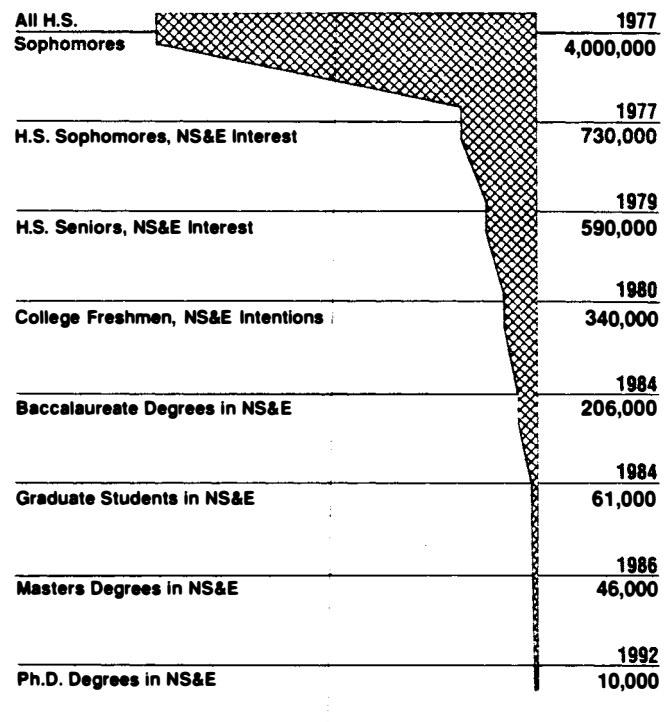
The pipeline

A snapshot of U.S. scientific manpower is as follows: There are about 4 million scientists and engineers in the United States, making up about 4% of the labor force. The ratio of scientists to engineers is about 3:4. About one in four works in research and development.

To keep this technical work force replenished, many different agencies have begun initiating programs designed to encourage students, particularly women and minorities, to stay in what NSF describes as the science education "pipe-

Persistence of natural science and engineering interest from high school through Ph.D degree

(The pipeline)



Source: National Science Foundation.

line." The rationale is that a minor change in the percentage of high school students who go on to technical careers would alleviate future shortfalls, but also to reach beyond the traditional pool of white 18-year-old males, which demographics show is shrinking.

This is how NSF lays out the "pipeline": From a total 10th-grade population of 4 million students in 1977, NSF estimates that 730,000 expressed an interest in science and engineering careers. By their senior year of high school, that had dropped to 590,000, dropping again to 340,000 among college freshmen. By 1984, however, only 206,000 bachelor's degrees in science and engineering were awarded. Less than one-third of these went on to seek advanced degrees, and of those, 15,000 dropped out during graduate school, leaving 46,000 science and engineering masters degrees awarded in 1986 (see Figure 1). NSF projects that at the doctoral level, less than 10,000, or only 0.24% of the original pool, will earn their PhDs.

This gives rise to a more fundamental issue. In these times when education budgets are being squeezed ever tighter, how can our science "pipeline" handle an increased volume of students? Also, it seems that our students are poorly prepared to pursue those science and engineering careers. So

the “pipeline” is in need of upgrading both quantitatively and qualitatively.

There are at least 200 education reform studies vying for the attention of our educators and the public. And although taxpayers cannot be expected to underwrite every new program that comes along, they must insist that the necessary science and math courses be made available.

Science illiteracy

It is important that more students become interested in science, whether they go on to earn advanced degrees or not. As Dr. Bassam Z. Shakhshiri, former head of education at NSF, told *EIR* in an interview that appeared Aug. 17, 1990, “We need an educated citizenry that can distinguish between astronomy and astrology.”

There seems to be an unending stream of reports and studies that show how U.S. students stack up against their foreign counterparts. A survey by the Educational Testing Service comparing South Korean, British, Irish, Spanish, Canadian, and U.S. high-school students found that the United States ranked near the bottom in science and mathematics, with Korea at the top. Another report showed that the average Japanese student does better in mathematics than the top 5% of U.S. students. The same study reported that more than 25% of our 13-year-olds cannot handle elementary school arithmetic and only 6% of 17-year-olds can handle algebra.

In the United States, high-school students take an average of 2.5 years of science courses, while Soviet students, on average, take six years of biology, five years of physics, and four years of chemistry.

These reports, often cited to drive home the point that U.S. science education is falling behind the rest of the world, show some of the leaks in our “pipeline.” For example, two-thirds of U.S. high schools do not offer enough mathematics courses to enable a graduate to enter an accredited engineering school.

Perhaps what these reports really show is the degree to which we have neglected science education in the United States. We can hardly expect little Susie to become a chemist when her school has no chemistry course. By the same token, we cannot in good faith encourage her to pursue a career in chemistry if we cannot show her the vital role she has to play in society. Indeed, there is no point worrying about the future supply of scientists and engineers if there is no commitment to make use of them.

Economist and statesman Lyndon LaRouche has often stated that 5-10% of the U.S. labor force should be employed in scientific R&D. As shown earlier, scientists and engineers make up about 4% of the labor force and only a fourth of them are engaged in R&D. If breakthroughs are our goal, then more talent must be brought to bear on the challenges facing society.

The goals that a nation sets define the tasks to achieve them. Framed in the effort to put man into space, NASA,

during the 1960s, made major contributions to U.S. science education which were felt from the university level down to the elementary school level. Through the Sustaining University program, NASA helped finance postgraduate training, build or upgrade facilities, and fund space science research. There were more than 200 educational institutions in the program, involving 1,500 faculty members and 3,600 students working on space related problems in 30 disciplines. NASA, working with the National Science Teachers Association (NSTA), also sought to improve school science curricula. Through a series of 13 paperback science books for children published by the NSTA, the principles of rocketry and space science became classroom topics. Today, NASA’s involvement with the nation’s youth is shown in such programs as allowing high-school students to fly experiments on the Space Shuttle.

The fusion engineering act

In 1980, Congress passed the Magnetic Fusion Energy Engineering Act “to provide for an accelerated program of research and development of magnetic fusion energy technologies leading to the construction and successful operation of a magnetic fusion demonstration plant in the United States before the end of the 20th century”—no less worthy a goal than putting a man on the Moon, which had clear implications for strengthening U.S. technical capabilities, spinning off new technologies into the economy, and moving toward securing an abundant energy source for mankind.

The act included provisions addressing manpower requirements. Section 10 mandated that the secretary of Energy “assess the adequacy of the projected U.S. supply of manpower in engineering and scientific disciplines required to achieve the purposes of this act,” and to “submit a report to the President and to the Congress setting forth his assessment along with his recommendations regarding the need for increased support for education in such engineering and scientific disciplines.”

However, the act was never funded and fusion energy is still an elusive goal. The same can be said for the NASA Moon base—the point being that without a forward-looking commitment to progress at all levels of human endeavor there can only be an erosion of capabilities, and once lost they are difficult to replace.

There is a lesson we can learn from the warning last fall of Yevgeny P. Velikhov, vice president of the Soviet Academy of Sciences. Speaking before the Congress of People’s Deputies, he urged support for his nation’s scientific institutions and attacked the idea of the former Soviet Union becoming merely a raw materials producer and source of cheap labor. “What distinguishes Third World countries from those in the First World? In the main, Third World countries have resources, they have a work force, too, but they do not have science or expertise. If we destroy science . . . we shall never rebuild it. . . . Then we will have no future.”

Senate passes tax bill, veto looms

The Senate succeeded in passing a major tax bill on a 50-47 vote on March 13, but it faces an imminent veto by President Bush.

The bill incorporates key measures demanded by Bush in his State of the Union message, including a reduction in the capital-gains tax and elimination of the 10% luxury tax on boats, airplanes, and expensive cars.

It also, however, contains a tax credit of \$300 a year for each child under six whose family has an income of up to \$47,500 a year. The bill would pay for the tax credit by raising the top tax rate on individuals from 31% to 36%, and levying a 10% surtax on millionaires, a measure which the House leadership refuses to compromise on. The White House is opposed to anything that smacks of a tax increase, and has promised to veto the bill.

Senate and House conferees met on March 18 to work out a compromise which could be sent to the White House by March 20, the "deadline" demanded by President Bush, thus depriving him of an election issue that the Democratic-controlled Congress was delaying an economic recovery.

Names in House check scandal to be released

Under growing public pressure, the House leadership has agreed to make public the names of 355 members and former members who wrote more than 20,000 bad checks at the House Post Office, the internal House bank.

The scandal involves members who regularly overdraw their accounts, although, because of the laxity of the regulations, many were unaware that they were overdrawn.

Many Republicans are among

those who have been overdrawn, but GOPers feel that the scandal will hit the Democratic majority the hardest. House Republicans have targeted House Democratic leaders, and Speaker Thomas Foley (D-Wash.) in particular. House Minority Whip Newt Gingrich (R-Ga.), interviewed on the ABC News program "This Week With David Brinkley," accused Foley of being responsible for a "criminal coverup." Gingrich is calling for an independent federal prosecutor to investigate the case.

The check scandal comes at a time when the Democrats are cautiously proceeding with an investigation of the October Surprise scandal, in which the Reagan-Bush campaign conspired to delay the release of American hostages held by the Iranians in order to assure a Republican victory in 1980.

Nunn calls for increased aid to East republics

Sen. Sam Nunn (D-Ga.) and other senators returning from a trip to the republics of the former Soviet Union, urged the Bush administration to increase aid to the republics, at a press conference March 11. The senators warned that the situation was very "fluid and fraught with risks," and that if the attempts by Russian President Boris Yeltsin and the leaders of the other republics to implement the International Monetary Fund (IMF) "price liberalization" should fail, there could be irreversible consequences.

Nunn said that there were now governments in place which had shown themselves prepared to impose austerity measures, but warned that the social upheavals which could erupt as a result of the hardships on the population might sweep into power political elements inexorably op-

posed to the IMF policies. Nunn chastised the Bush administration for reacting too slowly in aiding the Yeltsin government.

Nunn called for "the lifting of the legislative prohibitions that grew up in the Cold War," including the Jackson-Vanik amendment (which conditioned aid on Jewish emigration), in order to encourage increased trade with the republics. He also called for the rapid creation of a "price stabilization fund" in order to give the Community of Independent States governments the ability to cushion the blows of the price liberalization.

The White House is opposed to such a fund. Treasury Secretary Nicholas Brady insisted in remarks at the National Press Club on March 11 that the "host country" must show that the stabilization will work before the West mobilizes more support for that purpose.

Nunn also called for hearings to examine the possibility of "conflict resolution" mediation by the U.N. or the Conference on Security and Cooperation in Europe in the ethnic conflicts exploding in the Transcaucasus and elsewhere in the newly independent republics.

House overrides Bush veto of China MFN status

The House succeeded in overriding President Bush's veto of legislation placing human rights and other conditions on the extension of Most Favored Nation status to the People's Republic of China, in a 357-61 vote on March 11. The vote to override garnered considerable support from conservative Republicans concerned over the administration's kowtowing to the Chinese on human rights violations.

The Senate was scheduled to vote on the override on March 18, but as of

the day before, it was unlikely that it would be able to mobilize the two-thirds majority necessary for an override. Without an override in both houses, the Bush veto remains in force.

Andrews calls for 'productivity strategy'

Rep. Thomas Andrews (D-Me.) called for both parties in the budget battle to overcome their ideological prejudices and work together to develop a "productivity strategy" for America, in floor remarks on March 10.

"We know from experience," said Andrews, "that if you make capital investments that are going to make the ground on which business operates fertile, you are going to generate private investment. That road, that bridge, that rail system, that sewer line, that water system, that good education system, that first-class training system, those are public investments that generate investment from the private sector. You need both in order for the economy to work, and it does not work if you have the two sides pointing fingers at one another, blaming one another for the collapse of the economy."

Andrews cited a recent study that showed that if the United States had consistently maintained its level of public capital investment at the same level that it had 20 years ago as a percentage of GNP through to the present, U.S. productivity growth would be 50% higher than it is today, the average rate of profit for business would be 22% higher, and the rate of private investment 19% higher.

Andrews called for revamping the budget debate, "using budget categories in terms that make sense, in terms of turning this country around." An-

drews attacked both the free market ideologues for ignoring the necessary role of public investment, as well as the "industrial policy" advocates who believe that the government can do everything on its own in promoting real economic growth.

Owens hits State Dept. on Azeri blockade of Armenia

Rep. Wayne Owens (D-Utah) has introduced legislation, which currently has 43 co-sponsors, to declare the Azeri blockade of Armenia "an on-going breach of human rights." Owens castigated the State Department for ignoring the Azeri violations, "in complete derogation of the preconditions for human rights" which Secretary of State James Baker had previously outlined as a precondition for diplomatic recognition.

In floor comments on March 10, Owens said that he had dispatched a letter to Artur Mkrtychian, president of the Armenian enclave of Nagorno-Karabakh, calling upon him to appoint a commission to conduct an inquiry into the Azeri charges of indiscriminate killing of civilians by Armenian forces in the enclave.

Owens had been in Armenia shortly after the story about indiscriminate killings of civilians in the Azerbaidzhani town of Khojaly began appearing in the press. Owens concluded from his own investigation that a serious breach of human rights by Nagorno-Karabakh forces did occur, but that it did not have the support of the Armenian government, and the estimates of the number killed had been grossly exaggerated.

It has been widely mooted on Capitol Hill that earlier signals from Baker to the Azeris that the United States would recognize Azerbaidzhan without insisting upon an end to its block-

ade of Armenia and Nagorno-Karabakh, gave a green light to an escalation of Azeri attacks.

Democrats assail Pentagon report

Leading Democrats began an assault on the classified Defense Planning Guidance memorandum, leaked to the *New York Times* on March 8, which recommends transforming the United States into a world policeman.

Sen. Alan Cranston (D-Calif.), in floor statements on March 10, said that the report confirmed that the United States intends to remain "the only main honcho on the world block, the global big enchilada."

Sen. Robert Byrd (D-W.Va.), chairman of the Senate Appropriations Committee, called the report "myopic, shallow, and disappointing." The "American empire is what the Pentagon wants," said Byrd, who is seeking to cut military spending. The thrust of the document seems to be, he said, that "we love being the sole remaining superpower in the world and we want so much to remain that way that we are willing to put at risk the basic health of our economy and well being of our people to do so."

Byrd said that "the Defense Planning Guidance philosophy is the clearest expression yet of a new vision of a *Pax Americana*, a new concept of world policeman, Uncle Sam the enforcer of a new world order. . . . It lays out a justification for fielding forces for American intervention anywhere in the world at any time for whatever good purpose we might come up with."

Sen. Joe Biden (D-Del.) said, "It won't work. You can be the world superpower and still be unable to maintain peace throughout the world."

National News

Sheriff in 'Get LaRouche' task force probed

Loudoun County, Virginia Sheriff John Isom, who played an important role in the multijurisdictional "Get LaRouche" task force, is now under investigation by the FBI, the March 12 *Washington Post* reported.

The investigation reportedly centers around actions by Isom's department and the office of Commonwealth's Attorney William Burch in connection with the 1988 conviction of William Douglas Carter, convicted of malicious wounding of his former wife. The conviction was overturned in February 1992 because a now-suspended Loudoun sheriff's deputy, Doug Poppa, testified that he told Burch and Capt. Vernon Beamer that Carter's former wife had told Poppa she would shoot herself to send her former husband to jail. Burch's team did not disclose this to the defense.

War College warned of Britain's 'Kurdish' trap

A U.S. Army War College study, circulated in September 1991 and recently made public, warned the military officers involved in the supply missions to the Kurds in northern Iraq that the Bush administration and the media were leading them into a British trap.

The white paper was authored by Stephen Pelletiere, one of the authors of a pre-war study which analyzed the frameup of Iraq, and accurately forecasted the resulting war. In the latest paper, Pelletiere questions the characterization of the Kurds as helpless victims, noting that they have made plenty of enemies in the last 100 years, slaughtering Armenians in the late 19th century, massacring Assyrian Christians in the 1920s, and in turn surviving aggression directed against them.

"Why, then, are these people—who have proved so resolute over so many years—now perceived to be in need of international protection?" he asks. Furthermore, "Why is the remedy that is being promoted for them one that is patently unworkable?"

The study demonstrates that the United States is repeating the actions of the British in the earlier part of the century, when they orchestrated chaos in the region "in an attempt to secure the oil region of Kirkuk for themselves"—by backing the Kurdish tribal prince Shaykh Mahmud. The author warns: "U.S. military leaders need to be aware that the strategic environment in northern Iraq is supercharged . . . the administration may decide to continue granting support, and then, of course, the U.S. military will back the President. But Army leaders should be apprised that this is a most dangerous situation we have become involved in . . . it is not as benign as the media and some in Congress are making it out to be."

He concludes, "The British seem to be maneuvering toward establishment of an independent Kurdish entity in northern Iraq. . . . Such an entity would have to be administered by the Kurds, which is an impossibility. . . . all of this current agitation for Kurdish 'statehood' must be seen to be misguided."

Editor slaying said a warning by drug cartel

Manuel de Dios, the former editor of *El Diario La Prensa*, the largest Spanish-language daily in New York City, was assassinated in Queens, New York. The March 13 *New York Times* reported the suspicion that this was a hit by the Medellín Cartel, and was meant as a warning to investigative journalists.

De Dios had recently been involved in projects which his associates felt placed him in harm's way. He had boasted knowledge, beyond his recent testimony, in the case of the Cerro Maravilla-terrorist murders in Puerto Rico. This scandal exposed the fact that the FBI and local police had fabricated the incident which led to the murder of two known nationalists. (The movie "Show of Force" is based on this.)

Recent Freedom of Information Act (FOIA) disclosures on the matter have led to several high-ranking government officials being fired for their role in the coverup. In addition, De Dios had published a book on the Medellín Cartel and had started up a new magazine that investigated the current drug scene.

Israel illegally selling arms, says U.S.

An internal U.S. State Department investigation has found that Israel illegally resold American weapons technology to other countries, including China, the March 14 *Washington Post* reported.

State's inspector general has recommended that Assistant Secretary of State Richard A. Clarke be disciplined for failing to act on repeated warnings that the Israelis were reexporting U.S. armaments, despite the fact that such action is prohibited by law. Deputy Secretary of State Lawrence Eagleburger may also be implicated in the scandal.

State Department officials told the *Post* that Israel had routinely been treated differently from other countries in deliberations on illicit technology. They maintained that Clarke, a known Israeli sympathizer, would not have made the final decisions on such matters unless his superiors had given him the go-ahead. Clarke's boss is Eagleburger, who, according to the *Washington Post*, ordered Clarke not to discuss the inspector general's report with the media.

'Buchanan=anti-Semite' lies disproved

Columnists Roland Evans and Robert Novak harshly criticized Bush Republicans who have joined in with journalists and Democrats in labeling Patrick Buchanan as an anti-Semitic proto-fascist, in their column in the March 11 *Washington Post*.

The columnists singled out William Bennett, Rep. Newt Gingrich (R-Ga.), and Republican National Committee chairman Rich Bond who, the columnists say, share President Bush's anger at having been forced to run a primary election campaign to secure the nomination.

The columnists investigated a series of recent incidents trumpeted as "proof" of Buchanan's latent anti-Semitism and racism, and found either that the event was quite different than the published reports or simply never happened.

In one example cited, Charles Krautham-

mer, in a syndicated column, had labeled Buchanan as "fascistic" for a 15-year-old column said to have praised Adolf Hitler as "an individual of great courage." In fact, the column was a warning against appeasement, and pointed to those politicians in 1937 who failed to see "Hitler was marching along the road toward a new world order where western civilization would not survive."

Suit filed over pensions lost to junk bonds

The U.S. Department of Labor is suing five companies over lost pensions resulting from the seizure of Executive Life Insurance Co.

The five companies, all of which sold junk bonds to raise funds for takeovers, later cashed in their pension funds to pay off some of the junk-bond debt incurred in the takeovers. They bought annuities from Executive Life, which are cheaper than a fully funded pension, to replace the pension funds. Unlike pension funds, which are insured by the U.S. government, the annuities are not insured. Since the seizure of Executive Life, which failed largely due to their disproportionately large holdings of junk bonds, retirees in these companies are getting only 70% of what they were promised.

The Labor Department sued the employers to force them to pay the difference between the payments due under the pension fund, and what retirees are actually receiving from the annuities, now that Executive Life has been shut down. The five companies cited in the suit are Halliburton Co. of Dallas; AFG Industries of Ft. Worth; Smith International and Pacific Lumber, both of Houston; and MagneTek of Los Angeles.

Climate experts question global warming validity

Most climate experts question validity of the global warming theory according to a new survey, the National Coal Association reported in its Feb. 24 newsletter. A survey of 400 randomly selected experts on climate, released by the Center for Science, Technology, and Media, found that only a minority support the global warming theory.

The Gallup Organization conducted the poll, which found that the scientists involved in climate study are the least likely to believe that global warming has occurred, and that experts emphasize the uncertainty of knowledge in the field.

The poll also found that the media frequently distorted the scientific view on global warming. "Among scientists who expressed opinions in news stories, nearly three-quarters asserted that global warming was genuine. . . . Overall, news stories presented scientists as a group least likely to express doubts about global warming." Therefore, the public is receiving a slanted perception from the media on the scientific debate of global climate change, the National Coal Association concluded.

LaRouche files to oust judge in 2255 appeal

Attorneys for Lyndon H. LaRouche on March 11 filed a supplement to their petition requesting that the Fourth Circuit Court of Appeals disqualify Judge Albert V. Bryan from presiding over LaRouche's 2255 petition. The 2255 petition seeks relief based on the unlawful government prosecution, conviction, and jailing of LaRouche.

The supplement recounts the government's last-minute request for an extension of time to answer the 2255 and LaRouche's request for bail pending the outcome of the 2255. The supplement then states that Bryan issued rulings on these motions, even though LaRouche's attorney, Odin Anderson, objected to Bryan hearing the motion, and even though the Fourth Circuit is considering LaRouche's petition to have him disqualified.

"Upon conclusion of the argument," reads the supplement, "Judge Bryan denied the motion for bail and granted the government's application for a 30-day extension, even though this same judge repeatedly denied defense motions seeking a continuance on the same grounds during the period between arraignment and trial. It appears in the case of these petitioners that when liberty is at stake, continuances for the defense are disfavored. However, when liberty is enthralled, continuances requested by the prosecution are freely granted."

Briefly

● **THE MAINE** state legislature defeated a bill to legalize doctor-assisted suicide, the March 6 *Maine Times* reported. When the bill was introduced, its Republican sponsor said, "Sometimes Maine likes to be a leader."

● **A SEQUEL** to the malthusian *Limits to Growth* book published 20 years ago, will be published before March 20, "on the eve of the Earth Summit," according to publisher Chelsea Green. The new book, *Beyond the Limits: Confronting Global Collapse, Envisioning a Sustainable Future*, is authored by Donella Meadows, Dennis Meadows, and Joergen Randers.

● **DEPUTY** Secretary of Agriculture Ann Veneman, speaking in Nebraska at the Governor's Agriculture Conference on March 5, admitted, "Food production needs to increase by 40% by the year 2010 in order to maintain the current level of food intake for the growing world population."

● **DANIEL S. GOLDIN** was nominated by President Bush on March 11 to be the next administrator of NASA. Goldin served as vice president of the TRW Space and Technology Group, and managed the development and production of the satellites TRW has produced for NASA, including the Gamma Ray Observatory and the Tracking and Data Relay satellite.

● **A NORTH** American Free Trade Agreement could be signed within a few weeks or months, Trade Representative Carla Hills told a conference in Washington on March 12. Hills doubted, however, that Congress would act upon it before the elections—referring to the intense domestic opposition to NAFTA, especially from organized labor.

● **PLANS** for a third shipment of milk powder to Iraqi children by American dairy farmers was announced by spokesmen for the Committee to Save the Children in Iraq at a press conference in Owosso, Michigan on March 11.

Editorial

Germany's role for Europe

In 1989 Germany had a unique chance to help the newly free nations of Europe to become prosperous industrial republics. To do this it was necessary, of course, for Germany to oppose the brutal, indeed fascist policies which the Anglo-Americans were proposing to impose on these lands through the agency of the International Monetary Fund. It was in this context that Lyndon LaRouche proposed a major infrastructure project to connect Germany, France, and Austria by high-speed rail, in a transportation system encircling the most densely productive region of Europe.

Such an investment would have laid the basis for the issuance of credit on the basis of productivity gains, to be realized as central and eastern Europe were integrated with the West on a functioning basis. The model was based on the proven dirigist economic theory of Alexander Hamilton, Friedrich List, *et al.*, but more profoundly, on Christian principles of political economy.

What did occur was a vicious campaign, run out of London, branding Chancellor Kohl the Führer of a new Reich, before any such plan could get under way. Sad to say, the Kohl government by-and-large capitulated. The fact that the Mitterrand government loosened Franco-German ties in favor of close cooperation with the British added to Kohl's woes. The Europeans in general preferred to bend to the will of London and Washington rather than face a showdown. As a result, the Polish, Ukrainian, Russian, and other former socialist economies are being mowed down one after another by the "shock therapy" austerity scythe.

Even in reunified Germany there was not a worthy investment policy. Instead, western German firms simply moved to the east to exploit business opportunities, in order to maximize quick profits under the conditions of a shrinking world market. As a result, eastern Germany's economy sank below the levels at which it had functioned even under communist misrule.

Now the nations of continental Europe and, in particular Germany, are reaping the harvest of this failure to seize the historic moment. The global depression is reaching even the robust economies of Germany and

Japan. An economic collapse in Germany will have crippling results, because Germany is in the center of Europe. It is the linchpin of the European economy, and thus of the international economy.

If Germany goes, the entire world economy goes; and Germany is starting to crumble. It has been going down for 20 years under the influence of Anglo-American policies, but it kept a kind of rearguard independence. Indeed, while the IMF's austerity dictates seem to target the former East bloc, they have also wittingly undermined western Europe.

There is a solution to the crisis, but it demands an end once and for all to the disease of pragmatic politics. The IMF must be brought down and the power of the Anglo-American oligarchy broken. This entails a transformation of the axiomatic basis upon which social-economic processes are now organized. Obviously, free trade ideology has amply demonstrated its malevolent bankruptcy. It is a thin gloss for usury and trade war.

The Anglo-American oligarchy is in the process of wishfully consolidating a new Roman Empire under its control. The reality is that these fools are creating unmanageable chaos through their incompetent policies, in which every nation we now know may be destroyed.

It is about time that good people everywhere stop temporizing and reject pragmatism. The IMF is evil, it must go, and with it, all those politicians who capitulate before the IMF. We can understand the pressures which are brought to bear against decent men and women, even including assassination threats against them and their families. But the very fate of humanity rests upon their shoulders, and in a special way now upon those of Germany's leaders.

Viewed from a historical standpoint, the cowardice of capitulating to the IMF—the refusal of people to buck this tyranny—will be seen as a horrible crime. The banker's dictatorship which the Anglo-American oligarchy is attempting to impose on the world will have consequences far more terrible than either Hitler or Stalin's worst atrocities.

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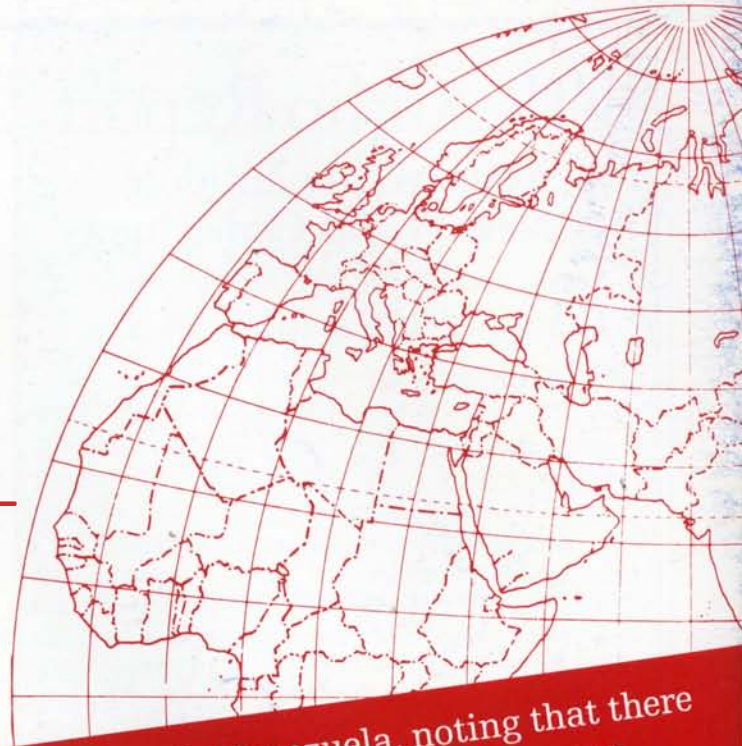
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December 5, 1991

EIR Alert reports coup rumors in Venezuela, noting that there are constant meetings among the lower ranks of the army about a military coup, but that the high command opposes it.

February 4, 1992

A "colonels' coup" against Venezuela's Carlos Andrés Pérez takes over a large part of the country, but is suppressed by the high command.

October 22, 1991

EIR Alert reports that Lord Carrington is considering a "Cyprus" model to resolve the Serbian war against Croatia.

January 1992

The United Nations decides to send troops to Croatia to enforce a Cyprus-style partition of Croatia.

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