

# EIR

Executive Intelligence Review

September 25, 1992 • Vol. 19 No. 38

\$10.00

Shining Path bust: a black eye for State Dept.  
In memory of W. Allen Salisbury  
Interviews from Russia, Hungary, Armenia

**Central bank system cracks;  
new monetary system urgent**



# DERAIL NAFTA

## fast track to rule by the big banks

EIR Special Report, May 1991

---

### **Auschwitz below the border: Free trade and George 'Hitler' Bush's program for Mexican genocide**

---

A critical issue facing the nation in this presidential election year is NAFTA, the North American Free Trade Agreement. Bush and Clinton both back it. This proposed treaty with Mexico will mean slave labor, the rampant spread of cholera, and throwing hundreds of thousands of workers onto the unemployment lines—on *both* sides of the border—all for the purpose of bailing out the Wall Street and City of London banks.

In this 75-page Special Report, *EIR's* investigators tell the truth about what the banker-run politicians and media have tried to sell as a once-in-a-lifetime opportunity to get economic growth started across the Americas. The Wall Street crowd—led by none other than Henry Kissinger—are going berserk to ram this policy through Congress. Kissinger threatened in April: "It should be signed by all parties, and should be defended on all sides as a political vision, and not merely as a trade agreement." Kissinger's pal David Rockefeller added: "Without the fast track, the course of history will be stopped."

With this report, *EIR's* editors aim to stop Rockefeller and his course of history—straight toward a banking dictatorship.

**\$75** per copy

Make check or money order payable to:

**EIR News Service**

P.O. Box 17390 Washington, D.C. 20041-0390

Mastercard and Visa accepted.



# EIR

Founder and Contributing Editor:

*Lyndon H. LaRouche, Jr.*

Editor: *Nora Hamerman*

Managing Editors: *John Sigerson, Susan Welsh*

Assistant Managing Editor: *Ronald Kokinda*

Editorial Board: *Warren Hamerman, Melvin*

*Klenetsky, Antony Papert, Gerald Rose, Allen*

*Salisbury, Edward Spannaus, Nancy Spannaus,*

*Webster Tarpley, Carol White, Christopher*

*White*

Science and Technology: *Carol White*

Special Services: *Richard Freeman*

Book Editor: *Katherine Notley*

Advertising Director: *Marsha Freeman*

Circulation Manager: *Stanley Ezrol*

## INTELLIGENCE DIRECTORS:

Agriculture: *Marcia Merry*

Asia: *Linda de Hoyos*

Counterintelligence: *Jeffrey Steinberg,*

*Paul Goldstein*

Economics: *Christopher White*

European Economics: *William Engdahl*

Ibero-America: *Robyn Quijano, Dennis Small*

Law: *Edward Spannaus*

Medicine: *John Grauerholz, M.D.*

Russia and Eastern Europe:

*Rachel Douglas, Konstantin George*

Special Projects: *Mark Burdman*

United States: *Kathleen Klenetsky*

## INTERNATIONAL BUREAUS:

Bangkok: *Pakdee Tanapura, Sophie Tanapura*

Bogotá: *José Restrepo*

Bonn: *George Gregory, Rainer Apel*

Copenhagen: *Poul Rasmussen*

Houston: *Harley Schlanger*

Lima: *Sara Madueño*

Melbourne: *Don Veitch*

Mexico City: *Hugo López Ochoa*

Milan: *Leonardo Servadio*

New Delhi: *Susan Maitra*

Paris: *Christine Bierre*

Rio de Janeiro: *Silvia Palacios*

Stockholm: *Michael Ericson*

Washington, D.C.: *William Jones*

Wiesbaden: *Göran Haglund*

*EIR (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July, and the last week of December by EIR News Service Inc., 333 1/2 Pennsylvania Ave., S.E., 2nd Floor, Washington, DC 20003. (202) 544-7010. For subscriptions: (703) 777-9451.*

**European Headquarters:** Executive Intelligence Review Nachrichtenagentur GmbH, Postfach 2308, D-6200 Wiesbaden, Otto von Guericke Ring 3, D-6200 Wiesbaden-Nordenstadt, Federal Republic of Germany Tel: (0611) 8840. Executive Directors: Anno Hellenbroich, Michael Liebig

**In Denmark:** EIR, Post Box 2613, 2100 Copenhagen ØE, Tel. 35-43 60 40

**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) 3208-7821.

Copyright © 1992 EIR News Service. All rights reserved. Reproduction in whole or in part without permission strictly prohibited. Second-class postage paid at Washington D.C., and at an additional mailing offices.

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

We publish in this issue two speeches, which are especially relevant in light of the current monetary crisis. Both were delivered last May—one in Kiedrich, Germany, the other in Tlaxcala, Mexico—by associates of presidential candidate Lyndon H. LaRouche, Jr. In the *Feature*, Cynthia Rush tells the little-known story of the fight against British free trade in Ibero-America, particularly in the last century when patriots there took up the heritage of Colbert and the American System to fight British imperialism. In *National Economy*, Bill Engdahl outlines a plan for a national banking system in the tradition of Alexander Hamilton, to be applied to the economies of central and eastern Europe which have been liberated from Marx, only to be subjected to a new slavery under Adam Smith.

Yet, no one should have any illusions that the genocidal British free trade system is only a problem in less developed parts of the world, like eastern Europe or Ibero-America. As the *National* lead article reports, the International Monetary Fund has spelled out in painful detail its plan for turning the rustbucket U.S. economy into an irreversible rubbleheap.

Anyone who has traveled to the underdeveloped world cannot help but realize how much the rest of humanity depends on the revival of the American economy. But it is no longer even necessary to travel to evoke the mission of the Good Samaritan for the United States. With a staggering percentage of American children growing up in poverty, and our schools in shambles, we desperately need to get back on the track of the American System.

W. Allen Salisbury, a longtime member of *EIR's* editorial board of advisers who passed away on Sept. 14, made a crucial contribution to the solution with his discovery in the 1970s of the anti-free trade, Christian economists—like Henry Carey—who advised Abraham Lincoln. Last year, while he was already fighting the cancer that claimed his life, he investigated JFK's plans to revive the American System, just before Kennedy was assassinated in 1963. Allen's article on that subject was published in *New Federalist* newspaper, which has kindly granted permission to *EIR* to reprint it in a forthcoming issue. We will sorely miss Allen, but we are also happy to be part of ensuring that his contribution lives on.

*Nora Hamerman*

# EIR Contents

## Interviews

### 10 Dr. Janos Goyak

Dr. Goyak, a priest and professor of social ethics who works with the Christian Democratic People's Party of Hungary, discusses the perspectives for economic reform in his former communist country.

### 35 Hike Babookhanian

The editor of the newspaper of the Republican Party of Armenia, Mr. Babookhanian is also vice president of the Union of Constitutional Rights of Armenia and deputy of the Yerevan City Parliament.

### 39 Yuri Chernichenko

The president of the Farmer Party of Russia describes the grain acquisition crisis in Russia this summer as the worst since 1927 and 1928.

## Departments

### 15 Report from Bonn

Monetarist solutions won't work.

### 51 Australia Dossier

Imperial myths collapsing slowly.

### 52 Middle East File

Iraq issues appeal on "no fly" zone.

### 53 Dateline Mexico

Shining Path is on the march.

### 72 Editorial

Choose the LaRouche alternative, now.

## National Economy

### 18 A Hamiltonian national banking plan for East Europe

William Engdahl presents a detailed alternative to the devastating austerity programs of the International Monetary Fund. A speech to the Schiller Institute's conference in Kiedrich, Germany in May, to an audience which included many representatives from former communist countries of central and eastern Europe.

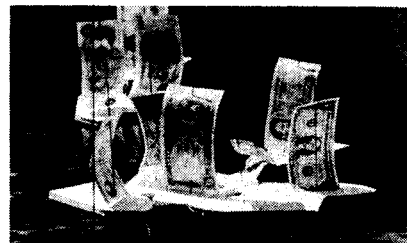
## Reviews

### 66 Classical LaserDiscs: many advantages, and a few caveats

"Macbeth," by Giuseppe Verdi, conducted by Giuseppe Sinopoli; "Giovanna d' Arco," by Giuseppe Verdi, conducted by Riccardo Chailly; Beethoven Lieder, Peter Schreier, tenor, and Norman Shetler, piano; Beethoven, Symphony No. 9, conducted by Kurt Masur.

**Photo credits:** Cover, page 59, EIRNS. Page 8, Stuart Lewis. Page 35, Philip Ulanowsky. Page 39, Rachel Douglas.

## Economics



### 4 Central bank system cracks; new monetary system urgent

The British pulled the pound out of Europe's Exchange Rate Mechanism, in a move that will go down in the history books as that which plunged the world into the Great Depression of the 1990s.

### 6 Harvard intervenes to aggravate relations between Russia and Japan

### 8 Centesimus Annus, a challenge for East Europe

A speech by Dr. Janos Goyak to a conference of the Schiller Institute.

### 10 Why should we pay the communist debt?

An interview with Dr. Janos Goyak.

### 12 Currency Rates

### 13 Ethanol use debated while millions starve

Ethanol is a fuel made from corn, and is being touted as a way to boost agriculture markets. But it's a fraud: a waste of energy and money.

### 14 Banking

Banks claim record earnings.

### 16 Business Briefs

## Feature

### **24 Mercantilism vs. free trade: the war for Ibero-America**

There is a tradition of "Hamiltonian" economics in Ibero-America which has been viciously suppressed, but which provides the key to getting out of the current economic crisis in the region. A speech by Cynthia Rush to the founding conference of the Ibero-American Solidarity Movement in Tlaxcala, Mexico in May.

## International

### **32 Shining Path arrest is a black eye for State Dept.**

The Peruvian government's capture of Shining Path terrorist ideologue Abimael Guzmán, along with a dozen of his top henchmen, was the opening shot of an anti-terrorist strategy which could break the back of that organization.

### **34 Serbian regular forces move to crush Bosnia**

### **35 'Armenia must win the war so we can develop our economy'**

An interview with Hike Babookhanian.

### **37 Greece, Turkey crises may widen Balkan war**

### **39 Russian government broke can't pay for winter bread**

An interview with Yuri Chernichenko.

### **41 Bangladeshi migrants are flooding India**

### **43 Uruguay resists George Bush's 'democratic new order'**

**Documentation:** From an interview with former President of Uruguay Juan Mari Bordaberry.

### **46 Pentagon, IMF target Jordan, other Arab states in arrest of Shubeilat**

### **48 Bush miscalculates, this time on China**

### **50 British crisis has the monarchy at bay**

### **54 International Intelligence**

## National

### **56 IMF moves to seize control over United States economy**

The International Monetary Fund's executive board took the highly unusual step—in an election year, at that—of demanding that the U.S. government immediately enact a combination of draconian tax increases and spending cuts. The treatment that has long been meted out to the Third World has now come home to roost.

### **58 Remembering Allen Salisbury, a fighter for truth**

### **60 'New civil rights movement' targets the death penalty**

### **62 LaRouche-Bevel step up independent bid**

### **63 Inslaw Case: House committee seeks special prosecutor**

### **65 Elephants & Donkeys** Churches not thrilled with Bush-Clinton duo.

### **68 Congressional Closeup**

### **70 National News**



## Central bank system cracks; new monetary system urgent

by Chris White

What is still called the Great Depression of the 1930s was ushered in during the month of September 1931, when the British government removed the pound sterling from the gold standard. The events of Sept. 16, 1992 will similarly go down in the history books. The British will similarly be said to have plunged the world into the Great Depression of the 1990s, when they pulled the pound out of the European Monetary System's Exchange Rate Mechanism (ERM).

In the United States, we still find wishful thinking: It's only a European crisis; it won't have direct effects on the U.S.; it may even result in a stronger dollar, as the collapse of the European Monetary System forces Germany's Bundesbank to lower interest rates, reducing differentials with the United States. Wishful thinking taken to this degree is fairly called psychosis.

This pattern was reflected as the world monetary system unraveled. Over the weekend of Sept. 12-13, emergency meetings of European financial and monetary officials agreed that Germany's interest rates would be adjusted downwards, and that bankrupt Italy's bankrupt lira would be devalued 7% within the ERM. These developments were greeted on Monday Sept. 14 with euphoria in the United States, as signaling the vindication of so-called U.S. policy. The stock market rose 75 points. By the next day, it had become obvious that the lira could not be held at its new level, and that the British pound and Spanish peseta were in big trouble. U.S. commentators began to express second thoughts about the weekend's developments. The stock market fell by nearly 50 points.

On Sept. 16, the British government increased its interest rates, first by 2%, to 12%, in an attempt to stem their currency's slide, then later in the day by another 3%. Neither worked. By the end of the day, the pound had been pulled from the ERM, and, in free float, was trading 12 pfennigs lower against the Ger-

man mark than its official DM 2.78 floor. That evening, a crisis meeting of European officials ratified the suspension of the pound and the Italian lira from the Exchange Rate Mechanism, and devalued Spain's peseta against the deutschemark. Sweden, meanwhile, raised its overnight interest rates to 500% to prohibit capital flight out of the country. This was all seen as potentially good for the dollar.

### Scrambling for the lifeboats

Now we head into another round of emergency meetings among Group of Seven and other European officials gathered in Washington, D.C. the weekend of Sept. 19-20, for the annual meeting of the International Monetary Fund. Rescue packages and currency realignments are supposed to be the order of the day. The French, for their part, will decide in a referendum on Sept. 20 whether to support the Maastricht project for the political and monetary union of Europe. This was a vote whose negative outcome was supposed to have been the precursor to the chaos which has already erupted. The U.S. pundits are still insisting that, come what may, no matter how the French vote, it's going to be good for the dollar.

They seem to have forgotten that a monetary system is not simply an aggregation of individual currencies freely competing against each other for market approval, like contestants in some other-worldly beauty competition. The resources did not exist to defend the system as a whole in the way it has been organized. The system could no longer defend itself, and the system collapsed. No amount of emergency meetings, realignments, or anything else, will put this Humpty Dumpty back together again.

There is, supposedly, some \$350 billion sloshing around out there, in computer memory storage, credited and debited

electronically in foreign exchange transactions every single day that markets are open around the world. London alone accounts for about one-third of the whole. From reports, more than \$100 billion of that "money" was being thrown against target currencies every day, as the crisis developed, in the hunt for "profits" which would materialize out of the ether, as devaluations were forced.

What has happened is that the central banks which encouraged the creation of that electronic monster, in the name of "deregulation," "magic of the marketplace," "creative financing," and the other slogans of the degenerate 1980s, especially over the period since Paul Volcker took over the Federal Reserve in 1978, have finally been devoured by the monster that they themselves created. These were the institutions that encouraged the growth of "offshore," stateless Euro-market monies, especially in the period from 1967 to 1971. They fostered that growth through the years of the petrodollar, and then, after 1978-82, with the narco-dollar. They permitted offshore criminal funds to be used to drive out good money, as economies and employment were dismantled in favor of what they called the "post-industrial" society.

And now, their flunkies insist that what has happened will be good for the dollar, no matter what. Leaving aside the criminal roots of much of the dollar funds around the world, ask someone who exports goods to the United States what can be done with the dollars so earned these days. What does the U.S. produce, which one might purchase with the dollars earned? Where inside the U.S. could those dollars be invested? In a bank, like Citibank? In the stock market? In real estate or other tangible property? In government debt? What fools they all are to say the dollar will benefit from the current chaos! No matter how many trillions of dollars there are stashed in accounts from the Cayman Islands and Bahamas, through the Channel Islands and Luxembourg to Bahrain and Hong Kong, they are about as valuable as the pound sterling has become.

## LaRouche's proposals

There's one American with a proven track record on these matters, proven especially in his forecasts of developments during the period of Paul Volcker's high interest rate dictatorship from 1979 through 1982, and again in his forecasts of coming stock market catastrophes in the spring of 1987 and the summer of 1989. He is Lyndon LaRouche, the framed-up political prisoner of George Bush and company, now running for the presidency from jail in Rochester, Minnesota. In a campaign statement dated Sept. 17, LaRouche pointed to two features of what had happened the day before:

"First" he reported, "the central banking system that has run the world, and whose chief representative officially today is the International Monetary Fund, has failed. It has collapsed. That monetary system has destroyed itself with its own policies.

"Secondly, the world is in much worse condition, and in

a much deeper depression today, than in 1931, because of the influence of 25 years of 'post-industrial' thinking, combined with the wild monetarism and deregulation that the world associates today with a decade of greed—the decade of Margaret Thatcher, Milton Friedman, and similar dangerous lunatics.

"The only chance now is to follow the course that I have repeatedly proposed—especially those policies that I have proposed since 1980. Unless the policies that I have proposed are adopted, the United States and the rest of the world will now plunge rapidly into a bottomless, accelerated collapse of unemployment and who knows what else."

What LaRouche has proposed, in such forms as the "Operation Juárez" program for monetary and debt reorganization in the Americas, and in his 1984 and 1988 election campaigns, amounts to the re-invention of money, as a return to "hard money" policies, against those associated with usury and speculation and the policy of money breeding money.

He put it this way in his Sept. 17 statement:

"What must be done is what I have proposed: Nationalize central banking to create national banks. Restore protectionism—the American System protectionism. Issue government currency as credit; do not use public debt, use Hamiltonian public credit. Issue this credit at low prices through national banks in what is called a dirigist fashion, selectively. All new currency in the United States will come from one source, and only one source: the U.S. government treasury, in the form of currency notes issued as credit. These notes will be loaned at very low interest rates to public projects primarily, state and federal infrastructure projects, as I have indicated, for the purpose of creating immediately approximately 8 million new jobs in the public and private sectors. No service jobs—none of that garbage; back to basics. Back to physical wealth. Back to an industrial society. Not one penny will be issued except to foster these physical-wealth-creating projects, and private industries for support.

"That, in the United States, will start a recovery. The same thing is true in every other part of the world. However, to so establish national banking means to end the power of those who control central banking systems. It means to end the power of those evil forces which control Mr. Camdessus's International Monetary Fund today. This is a political fight between the vital interests of the American and other peoples, and my enemies."

This phase of the crisis began in the immediate aftermath of the summit meeting of the Group of Seven. Their unified idiotic assurances that all was well with the world, everything was under control, and everyone on the road to recovery, only proved that there was a complete and utter breakdown of leadership in the world. Their inanity collapsed the dollar. Political leaders discredited, it is now the turn of the so-called monetary authorities. Within those G-7 countries, LaRouche's voice alone has said what should be done. The recent events in Europe show that there is only his way, or the road to ruin, and no middle ground.

# Harvard intervenes to aggravate relations between Russia and Japan

by Kathy Wolfe

Professor Graham Allison of Harvard University circulated a confidential report to governments in late August, proposing that a supranational committee of Washington officials and U.S., Russian, and Japanese “scholars” take charge of the crisis between Russia and Japan over the disputed Kurile Islands, *EIR* has learned. Shortly after the document’s arrival in Tokyo, Moscow, and Washington, Russo-Japanese relations blew sky high.

Titled “Beyond Cold War: Trilateral Cooperation in the Asia-Pacific Region; Scenarios for New Relationships between Japan, Russia, and the U.S.,” the report was sponsored by Allison’s “Strengthening Democratic Institutions” project at the Harvard School of Government. It proposes that the U.S. government hold conferences between Russia and Japan, resembling current Mideast “peace” marathon sessions in Washington.

The Sept. 14 issue of the *Washington Post* warmly endorsed Allison’s plan, which would have Washington explore a “broad new role” in the Kuriles. “As catalyst and broker, the U.S. would help redraw security, economic, and political links” in the area, the paper said.

## Beware free market madness

Tokyo and Moscow should both beware. Allison was a major force behind introduction of his protégé, Harvard economics professor Jeffrey Sachs, as “adviser” to the Russian government. The “shock therapy” program Sachs designed for the International Monetary Fund (IMF) for newly freed former communist countries has destroyed both the Russian economy, and post-Cold War prospects for Russo-Japanese relations in the first place.

Such Harvard free market insanity led the government of President Boris Yeltsin to announce on Sept. 11 the provocative decision to lease part of one of the Kuriles, Shikotan Island, to Carlson & Kaplan Ltd., for 50 years. Carlson & Kaplan is a developer registered in Hong Kong which wants to construct a huge tourist gambling resort with casinos and race tracks on Shikotan. It is actually a “paper company,” Japanese officials report, without even a phone listing in Hong Kong.

Such British consortia typically use the high cash turnovers in such gambling resorts to launder drug money.

## Relations could have been saved

Japanese-Russian relations did not have to go bad like this. When communism first crumbled, Tokyo’s Ministry of International Trade and Industry proposed a grand plan to reindustrialize Russia, based on the model of the first U.S. Treasury Secretary Alexander Hamilton, on which Japan’s own “economic miracle” is based (see *EIR*, July 24). Harvard’s Sachs and his crony, Russian Finance Minister Yegor Gaidar, instead convinced Yeltsin to take the IMF’s destructive free trade program. As we reported last week, now the IMF’s collapse of Russia’s economy has put Yeltsin in danger of a military coup by Great Russian chauvinists. The IMF, the British, and their Harvard co-thinkers, have thus created a perfect “Let’s you and him fight” trap for Russia and Japan (in Japanese, *gyofu nori*). While the real problem is Yeltsin’s mishandling of Russia’s internal economy, Russian chauvinists seized on the Kuriles issue in mid-September to wildly attack Yeltsin. Valentin Fyodorov, governor of Russia’s Sakhalin province, which rules the Kuriles, told the *New York Times* Sept. 13 that he has built a “nationalist resistance of generals, admirals, and members of the resurgent Cossack movement” to resist any return of the islands to Japan. “If Yeltsin returns the islands, I will resist!” Fyodorov said, “I will launch a national campaign. I will reject any agreement and I won’t implement it.”

Television news reports in Moscow Sept. 10 even spoke of military confrontation between Japan and Russia. Japan’s request for return of its territory, a broadcast said, “could increase tension in the region. . . . It is clear that if Japan does not show its readiness to treat Russia as an equal partner, then a possible cooling of relations, which are not excellent as they are, will lead to attempts by Tokyo to block assistance to Russia by the leading industrialized nations,” he said. Historian Alexander Alexeyev told the Sept. 11 issue of the former Communist Party daily *Pravda*, that Russia could even make a case for claiming the northern Japanese island of Hokkaido, which Stalin had wanted to seize in 1945.



The British, the Harvard crew, and the U.S. media, meanwhile, have blamed Japan since Yeltsin canceled his trip to Tokyo on Sept. 9, because Japan has refused to pour billions of dollars into Russia to bail out the very mess which the IMF created. To force through the Harvard plan for permanent conflict, the U.S. media are taking the side of the Russian chauvinists, and loudly blaming Japan for selfishly insisting upon return of the islands, which it refers to as the Northern Territories. Japan should not only immediately give up the Kurile Islands, editorialized the *New York Times* Sept. 14, in "Japan's Barren Diplomacy," but it should also immediately "show more magnanimity" and bail out the IMF in Moscow.

### Anglo-Americans set up dispute in 1951

While meddlers in Washington should be kept away from the Kuriles dispute, an interesting fact has come to light, found among the apologies the Harvard crowd is mustering to back U.S. intervention. According to Allison's office at Harvard and Prof. Yuri Stolyarov, head of Russia's Center for Japanese and Korean Studies, it was U.S. diplomat John Foster Dulles who created the current set-up for the Kuriles affair.

"The Americans caused the problem. This should be understood clearly," Stolyarov told the press on Sept. 11. "They are responsible for this argument." He contended that the Soviet Union was ready to sign the official Allied Powers peace treaty with Japan in San Francisco in 1951, when British agent-of-influence John Foster Dulles—who had been brought in as part of a bipartisan group to "advise" the Truman State Department on the 1950-52 peace treaty—threw a spanner into the works.

In fact, during most of the 19th century, Japan and Russia were *allied* for the mutual economic development of the Far East, including the Russian Far East, under the czars and, from the 1860s, under Japan's pro-industrial Emperor Meiji. In two comprehensive treaties, in 1855 and 1875—the latter shaped by Russian Count Sergei Witte, who had built the Trans-Siberian Railroad—Meiji Japan and Russia peacefully divided Sakhalin Island and the Kuriles between them, with Japan taking the four "southern Kuriles."

Neither Moscow nor Tokyo has yet realized that it was the British who started the trouble in 1905, by goading Japan into war with its ally Russia. Following the Russo-Japanese War, under advice from London that the Russian "heartland" of Europe must be humbled, Tokyo struck north and occupied half of Russian Sakhalin. The occupation continued until 1945, when, in retaliation, Stalin seized both Sakhalin and the entire Kurile chain. Stalin had waited until after the U.S. dropped the second atom bomb, on Nagasaki, on Aug. 9, 1945, before he declared war on Japan. Although Japan surrendered the next day, only on Aug. 18 did Stalin move Soviet troops into the four southern Kuriles. U.S. Gen. Douglas MacArthur, who wanted no Soviet occupation zone

in Japan, was furious.

Dulles, meanwhile, was anxious that no peace treaty be concluded between Japan and Russia. Dulles, Stolyarov said, intervened at the last minute to rewrite Article 2 of the Allied Powers peace treaty at San Francisco in 1951, to make it vague. "The night before the signing, Dulles changed a few articles in the agreement which harmed our country," Stolyarov said. From the original wording—"Japan rejected all claims to the Kurile islands 'in favor of the Soviet Union,' the last six words were struck out, so our delegation couldn't sign."

Dulles knew quite well that the Japanese have always insisted that the term "Kuriles" refers to the northern end of the island chain which Japan long ago ceded to the Russian Czar. The Japanese consider the four islands north of Hokkaido, now under dispute, to be the "Northern Territories."

"Dulles wished deliberately to keep them feuding," according to Allison's office at Harvard, "to keep Japan in the western camp and from signing a treaty with Stalin at all costs. There are U.S. State Department documents which show clearly that the Dulles State Department later regarded use of these islands as a way of deliberately seeking to foster a rivalry between Russia and Japan—and key relevant State Department documents are still classified."

Dulles's unhappy meddling should certainly be straightened out, but not by allowing further involvement of London and Washington in the Kuriles problem.

### Japan not deterred

"Asia has the potential to become a more powerful economic group than the European and North American groups in the early 21st century," said Japanese Prime Minister Kiichi Miyazawa in a Tokyo speech Sept. 10, reacting against the negotiations for North American and Maastricht free trade blocs. "Japan should now seriously consider how it can help its Asian neighbors."

Since Miyazawa's Washington speech this summer on Japan's development of Asia, which he also emphasized at the Group of Seven heads of state summit in Munich in July, London and Washington have been looking for reasons to cause a breakdown in Japan's relations with its neighbors. They will do whatever they can to stop Japan from using its capital and technology to industrialize the Russian Far East and the rest of Asia. British sources gloated over the cancellation of the Yeltsin trip to Tokyo in this regard. Reuters in London, for example, ran a long report Sept. 10, entitled "Japan Seeks to Play More Active Role in Asia," which concluded smugly that Yeltsin's cancellation could frustrate the effort. "Reduced U.S. involvement, China's new flexing of diplomatic muscle and the grouping of regional economies in North America and Europe, all make Japan want to be more active in Asia," but, Reuters said, Tokyo has blown the diplomatic opportunity by refusing to compromise over the Kurile islands.



# Centesimus Annus, a challenge for East Europe

*Dr. Goyak, a professor of social ethics who works with the Christian Democratic People's Party of Hungary, delivered this speech on Sept. 5 to a conference of the Schiller Institute in Vienna, Virginia. He refers principally to two encyclicals of Pope John Paul II, Sollicitudo Rei Socialis of 1988, and Centesimus Annus of 1991, written for the centenary of the first modern social encyclical, Rerum Novarum.*

After the collapse of the totalitarian systems in central and eastern Europe, the peoples and nations of eastern Europe including my own country Hungary, are in a transition phase. They face the unique historical task of building from the ruins of communist dictatorship, a democratic state ruled by law, i.e., they confront the task of transforming a centralist planned economy into a free market economy. These countries face the unique chance of building a human economic order and society, based on the guidelines elaborated in the papal social encyclicals. I would like to elaborate this concept a bit further: I would like to elaborate on those questions pertaining to the future economic order by looking at the papal encyclical *Centesimus Annus*.

A) The democratic state under law and the representative parliamentary system with its different parties, is a fundamental concept with respect to society and the political system. According to *Centesimus Annus*, "Authentic democracy is possible only in a state ruled by law, and on the basis of a correct conception of the human person" (§46 CA).

Dear listeners. This short sentence, in particular its latter part, expresses the cornerstone of any true democracy, and it is precisely on the question of man, i.e., the image of man, where different conceptions are taken. We deal with two fundamentally opposing concepts: Either man is conceived of as a "freely creating demiurgos," in the way the Aristotelian philosophy conceives it, "or as a living image of God," as is expressed in the Platonic philosophy, or better, the Christian philosophy. These two opposing images of man dominate our western culture, definitely since the period of the Enlightenment, or better, since the French Revolution.

The first concept is based on pre-Christian or rather non-Christian ideas. It absolutizes man and everything that concerns man, including his ethical moral behavior. This can

have fatal consequences for our society and for our history. Because if man, who constantly changes, is conceived as the final authority concerning the truth, then "ideas and convictions can be easily manipulated for reasons of power" (CA p. 46). In such a democracy, it is possible that decisions in society "are not examined in accordance with criteria of justice and morality, but rather on the basis of the electoral or financial power of the groups promoting them" (CA ¶47).

This is the model of a degenerate, a deformed democracy, which unfortunately does exist this way today. Against this concept stands the Christian image of man, according to which man is a creative, dynamic image of God. This is the source of his inalienable dignity, as well as his rights. In the divine nature of man lies his social orientation "to the other." This is nothing arbitrary. Man realized himself in freedom by fulfilling his mission. The dignity of man which finds its end in transcendence does not allow man to be used as an object. Man is the carrier, the reason, and the aim of all being. From this standpoint, *Centesimus Annus* rejects the consumerist thinking and living style, which enchains man to his instincts and which makes man become the slave of his objects. I have only hinted at some of the problems, which we have to deal with, when we aim at liberating man, and when instead of appearance, we want to build a true democracy.

B) The biggest problem we have, is to build an economic order which is in conformity with man and his needs. But which system could this be? Are there any models? *Centesimus Annus* thinks it is wrong to say that after "communism, capitalism is the victorious social system" (CA p. 42). We should not be astonished about the fact that the average Hungarian during the 40 years of communist reign, constantly looked longingly toward the West, and only saw the glimmer and glitter, and the well-being of the system, but did not see the shadowy sides of the system he was longing for.

In the encyclical *Centesimus Annus*, the pope agrees with capitalism as a system "which recognizes the fundamental and positive role of business, the market, private property, and the resulting responsibility for the means of production, as free human creativity in the economic sector." But it rejects that type of capitalism "in which freedom in the econom-

ic sector is not circumscribed within a strong juridical framework, which it places at the service of human freedom in its totality," that is, an order in which the ethical and religious are at the center (CA ¶42).

The encyclical does not go into detailed questions concerning a just society or economic order. This is not the task of the church. It has "no models to present." Successful models "can only arise within the framework of different historical situations and through the efforts of all those who responsibly confront concrete problems" (CA ¶43). The church offers, on the other hand, a spiritual orientation, embedded in its social teachings. This question is very complicated. I can only give some hints and some orientation points. I want to refer to the last encyclicals *Sollicitudo Rei Socialis* and *Centesimus Annus*.

### **Equal access to markets**

1) It is necessary on an international scale that the nations of the Second and Third Worlds have equal access to the world market. "Stronger nations must offer weaker ones opportunities for taking their place in international life and the later must learn how to use the opportunities" (CA ¶35). Of course, this must be done without exploiting their resources or their labor power. For decades, the countries of the Third World have faced these problems, but this question has now also become actual and acute for us in eastern Europe. We can also formulate the question this way: Is the capitalist world ready to have us participate as equal partners in economic development? How should the world economic order best develop for the well-being of all nations, i.e., the whole humanity? The future of eastern Europe and the whole world will depend on the solution of these questions.

2) An even bigger load on the shoulders of Hungary, as for many other countries of the world, is the question of the foreign debt. In the encyclical *Centesimus Annus*, the pope says that the debts in principle should be paid. But that it is not permitted to demand debt payments "when the effect would be the imposition of political choices leading to hunger and despair for entire peoples. . . . It cannot be expected that the debts which have been contracted should be paid at the price of unbearable sacrifices."

Dear listeners. The small country Hungary with its 10 million inhabitants has a foreign debt of \$21 billion, which our government inherited from the communists. Half of the debt is comprised of loans that the communists borrowed in the last phase of their government from foreign bank consortia, i.e., they borrowed the money at a time, when the failure of the centrally planned economic systems already was totally foreseeable. Now, dear listeners, just imagine how this debt problem bears on the already problematic restructuring of our economy.

3) I would also like to point out the problem of unemployment. This plague is being criticized harshly by all papal social encyclicals. We all know what the viewpoint of the

Christian social teachings is in respect to this problem. In Hungary, with almost 5 million employed, we have already 10% unemployed. For us this is a new phenomenon. You might know, that the communist system put a lot of emphasis on guaranteeing full employment. But even then there also was unemployment, but it was hidden behind the walls of the enterprise. In a sense, we can say that in eastern Europe the unemployment is more problematic since it was not caused by economic recession, but by the restructuring of the entire economy.

4) Finally, I would like to return to my initial remarks. All economic orders are based on a specific concept of man, a specific image of man. If in the economy profit is the highest purpose, then such an economic order is in the final analysis directed against man. In such economic conditions, man is nothing but a manipulable object. He is not a value in himself, not a person endowed with dignity and created in the image of God. It is self-evident that the papal encyclicals all start out from the notion of the inalienable dignity of man, of all men, and orient toward the well-being of all men. Our task in eastern Europe could be summarily outlined in the following way: We should build up an economy and a society which is neither capitalist nor communist, but which is based on the principle of private property and private enterprise, i.e., a free market economy, which leaves wide room for the fulfillment of the social demands. It should be an economic system which puts man in the center, man being conceived as a living image of God. As the pope says in *Centesimus Annus*, the "subjectivity" should dominate in such a social and economic system. That means it's not the mechanical functions of man, but his social orientation as a human being toward other human beings, which is fundamental.

### **Does Hungary have a chance?**

We now have to answer the question whether the former socialist countries, whether Hungary under the present international conditions, has a real chance to reach that noble aim. Or whether my country has the necessary strength and capacity to realize that. Will we use the unique historical chance, or will we miss it? I want therefore to briefly show which political forces play what role in the ongoing restructuring effort.

You might know, dear listeners, that in the first free elections after the failure of communism, the opposition parties won with an overwhelming majority. The strongest political grouping out of the elections were the Democratic Forum, which together with the Small Farmers Party and the Christian Democratic People's Party formed a government coalition. In this coalition, the three parties represent altogether 58% of the parliamentary seats. It is very important to stress that these coalition parties base themselves on the Christian cultural heritage of Europe. They conceive the Christian values as fundamental for policymaking. But I also want to underline that such Christian social and economic

ideas are only explicitly represented by the Christian Democratic People's Party. The present opposition instead favors a free capitalist market economy based on such liberal ideology, which Pope Paul VI in his writing *Octogesima Adveniens* also sharply criticized. It seems that these people aim for an unlimited liberal capitalism, which dates back to the initial phases of capitalism.

There is a third force in my country represented by the former communists, or, better said, the former *nomenklatura*, which still has a lot of key positions in the economy. And this, despite the fact that in the elections the communists could not send any deputy into parliament, and its successor party only got 11% of the vote. We must stress that the former communists in respect to the economic order get very close to the liberal [free market] ideas and thus they form some type of united front against the coalition government. The deeper reason for this commonality is based on their common image of man. That is, the absolutizing of man. In such circumstances, the coalition wants to build a just, that is, a social economic order.

Finally, our chance depends upon resisting certain foreign influences, and those inside the country, who propose a liberal capitalist economy.

---

## Interview: Dr. Janos Goyak

---

# Why should we pay the communist debt?

*Dr. Goyak, a professor of social ethics in Hungary, was interviewed by Ronald Kokinda in Leesburg, Virginia on Sept. 11.*

**EIR:** What is your background?

**Goyak:** I am a priest, a Catholic priest. I studied at the Lateran University in Rome, and I have been teaching the doctrine of Social Ethics of the Catholic Church in the high schools for several years.

Under the communist system, the Catholic Church was not allowed to have a university; we were only allowed to have a school up to the level of academy or high school. But now we have been able to rebuild a university.

**EIR:** What is the name of the university where you teach?

**Goyak:** The Academy of the Science of Faith of Budapest. Also, I am a journalist. Some 10-12 years ago I was a copyeditor for the Catholic News Agency of Hungary. It is an agency that is 90 years old, founded before the First World War.

**EIR:** Are you a member of a political party?

**Goyak:** I am working with the Christian Democratic People's Party, but since I am a priest, I am not a member of that party; a priest is not allowed to be a member of a particular political party, but I work with them.

**EIR:** How did you come in contact with the Schiller Institute?

**Goyak:** Through very good friends of mine who are members of the Association of Former Political Prisoners—my father was one of them. And in Hungary I and others founded an observer group for human rights. I am one of the founders of that human rights observer organization, which is not limited to the political prisoners organization.

**EIR:** What brought you to the United States?

**Goyak:** I have found in my profession of teaching Christian social doctrine that many of the ideas in this Christian social doctrine, as I teach it, are the ideas that are in the mind of Lyndon LaRouche.

At present, not only among leaders but also among the general public, it is known that there are two possibilities, two choices, two ways that Hungary can proceed at this time. There are two groups pushing Hungary in two different ways. One, which is for a capitalist free market economy. The other group advocates for Hungary a social, humanist, Christian ideal in economics. We would say that what is needed, is that the decisive influence be of the European Christian tradition. The decisive influence would be better from this direction, rather than from the free market group. This is sufficiently clear to enough people in Hungary, including within the ruling government coalition.

Therefore, I am here because there is an equivalence, or the ideas are very nearly the same, between the Schiller Institute and those in Hungary who stand with the ideals of European Christian civilization.

**EIR:** Is this your first visit to the United States?

**Goyak:** I was first here five years ago, in Boston and Chicago, with a delegation of Christian journalists.

**EIR:** Are there any particular impressions you have of the United States, seeing it both five years ago and today?

**Goyak:** We had meetings with Bishop Weakland of Milwaukee, and he had given us an explanation and vision of the situation in America, and the trends. He said that America has a "superman" mentality.

A particular problem we have in Hungary is the many small Protestant religious sects which have come from America to proselytize, backed by much money. This is not good.

**EIR:** Are these groups backing the free market or the Christian approach on economics?

**Goyak:** These religious sects are coming into Hungary intending to break up the old religious traditions of Europe of both the Protestant and Catholic churches. And this is a dangerous movement.

**EIR:** How do you perceive the danger?

**Goyak:** The problem is that these are sects which have an individualistic view of man. The image of man which is traditional in Europe, including Catholic and Protestant churches in Europe, is being undermined by sects which have an individualistic image of man.

Individuality and personality are totally different. Individuality means I do not have a natural relationship with others. All the churches in Hungary believe that the person has a natural relationship with others, with God, as man and wife. Each man has this natural relationship with all mankind. This is a different image of man than these sects I am referring to, which are pushing a liberal idea that every individual is simply an isolated individual.

**EIR:** In your speech to the conference, you said that the papal encyclicals say that the debt of a nation should be paid unless the people are being driven into famine, despair, and intolerable sacrifices. Is the International Monetary Fund driving Hungary into famine, despair, and intolerable sacrifices?

**Goyak:** This is a difficult question to answer. Yesterday, I spoke with Hungarians here in Washington, and they observed that the greatest mistake of the new government in Hungary has been to assume the debts of the previous government. Generally, everybody in Hungary is now asking: Why should we have to pay the debts that were incurred by the communists? And we really don't know where all this money we are paying out is going; we don't know where this money is going to be invested.

Hungary has \$21 billion in debts, and half of that was incurred at the very end of the communist regime when they knew that they were going to be out.

**EIR:** And the IMF knew that the economy was failing?

**Goyak:** The IMF knew that the communists were going out of power, too.

**EIR:** LaRouche warned that the IMF policy was to deliberately destroy Hungary and the other states that were emerging from under communism. Is that clear to you and others in Hungary?

**Goyak:** That is not totally clear. Our country stands in tremendous economic difficulties, because in the past the centrally directed planned economy under the communists did not function. We have to totally restructure our economy, because over 90% had been in the hands of the communists. So, we have to come up with some capital from somewhere; we don't have any capital, all we have is debt, and that is the

big problem. People really aren't thinking beyond the very difficult situation presented by these plain facts. People know we have to come up with capital, and they're not thinking, from whom that money is going to come and with what conditions attached.

**EIR:** Are they aware that the IMF has never allowed a net outflow of capital to a country?

**Goyak:** As they have lived a very simple and materially deprived existence under communism, people still think to this day that in the West things look better, that what is western is good. They don't make a differentiation between the IMF or anybody else; it is just assumed that to be western is better.

**EIR:** What is your opinion of the Productive Triangle proposal that's been advanced by Lyndon LaRouche? How do you think this could affect Hungary?

**Goyak:** It's my opinion and the opinion of others, that the former communist countries of eastern Europe have to more tightly cooperate, especially in economic areas. Although it is just a beginning, we are in the process of developing closer economic cooperation with Ukraine, with which we have a very long border. What I take out of this program as most important, is that we must have better understanding and closer economic relations between eastern Europe and central Europe, with help from western Europe.

So what exactly does this mean? Germany and France are areas that are very highly developed, but they are capitalistically developed. Therefore, I have a little anxiety about what contents of this plan would end up being realized. We may want to go one way, and western Europe may want to go another, so exactly what content will we be getting from these western European countries?

**EIR:** Even though the plan emphasizes the infrastructure development?

**Goyak:** This is in agreement with the political parties in Hungary, for example, the Christian Democrats, who underline the necessity of infrastructure development.

**EIR:** You mentioned that you have increasing contacts with Ukraine. Is this on a government level?

**Goyak:** It is on the party level. Different people have undertaken these contacts, not just individuals, but business contacts in trade and industry. Also, don't forget that there is a small Hungarian minority living in Ukraine.

I also want to say on this plan of LaRouche that it is clear that all of Europe must be seen as a unity. So, from that broader standpoint, of course, LaRouche's plan is excellent.

**EIR:** Are you for or opposed to the Maastricht Treaty for European Union?

**Goyak:** We have little reliable information about it. Clearly,

the future of Europe must be a unified Europe, *provided* there is also room to maintain legitimate differences—traditions, interests—between states. But this all should be in the context of unity.

**EIR:** I'd like to come back to the religious sects that are coming from the United States into Hungary, because a plan for development requires a sense of moral purpose greater than the individual. If everyone is in their own little world, then this undermines the chance for economic recovery.

**Goyak:** A nation is a natural community. The individual verifies his individual identity through the cultural unity of the nation. The nation, and the relationship of the individual to the nation, enriches mankind. In general, Europe has benefited up until now from the differences in cultures and the contributions of each nation.

**EIR:** How much influence does the Catholic Church have in Hungary?

**Goyak:** It is a misfortune that for 40 years the Catholic Church was suppressed in Hungary by the communists. Many people were strengthened in their religion by the oppression, but many others turned away from a religious life, especially the youth, because the church was not able to teach religious education. So, some 80% of the youth have no religion, and one could say that we have an entire generation without religion. In our society, the church only has a measure of influence; its influence is bounded. But now, nevertheless, its influence is growing. Even among the middle-aged people who grew up under communism, the church's influence is beginning to grow.

**EIR:** I got the impression from your speech at the conference that it is only the Christian Democratic People's Party which has the firm outlook of creating a nation based on the western Christian outlook, the papal encyclicals, and Christian economics. Is my impression correct?

**Goyak:** I could say yes, that this party has a direct relation to the teachings of the pope and the encyclicals. But there are two other parties in the coalition, the Peasant's Party and the Christian Forum, and they are recipients of the moral heritage of Christian Europe and moral Christian values. President Antal has stated this.

**EIR:** Has LaRouche's *Science of Christian Economy* been useful? If so, how?

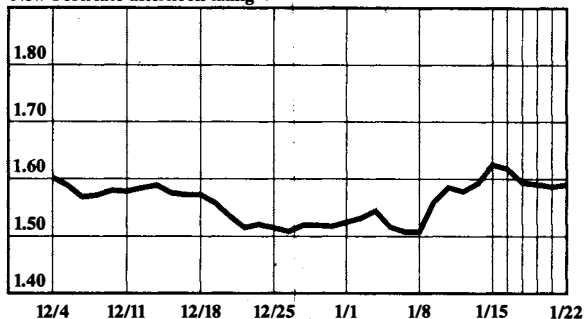
**Goyak:** I can only think of this from my standpoint as a teacher of Christian ethics. The Christian view of man which Lyndon LaRouche, and also Helga LaRouche have, is decisive for our future.

The question is whether the leaders of the nation and the leaders of industry, in developing economic policy, clearly see that this moral question of a Christian image of man, is the decisive question for our future.

## Currency Rates

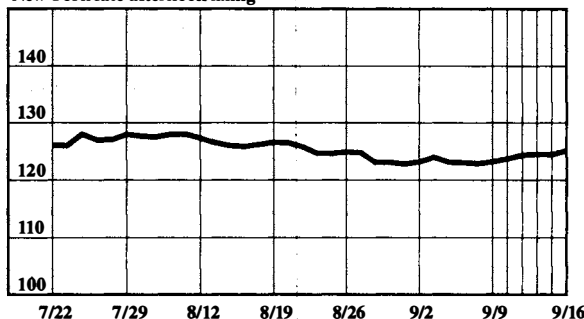
### The dollar in deutschemarks

New York late afternoon fixing



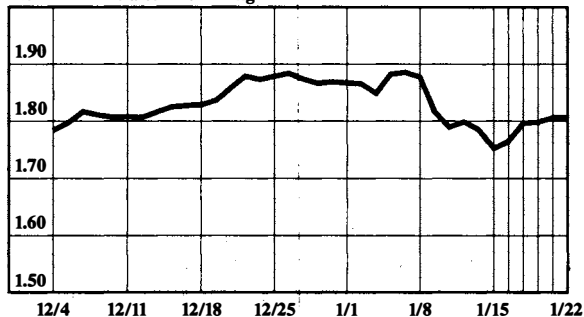
### The dollar in yen

New York late afternoon fixing



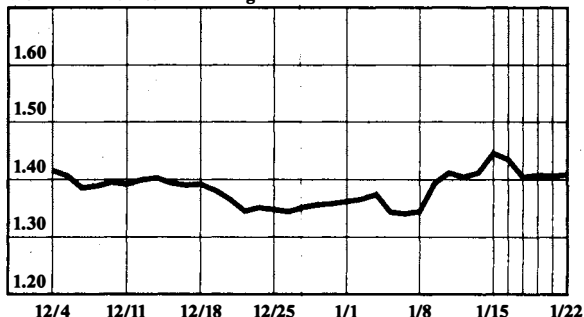
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing





# Ethanol use debated while millions starve

by Suzanne Rose

While the great African drought and famine and harvest shortfalls in Russia and eastern Europe confront us, the big agricultural debate in the United States this election year is whether President Bush will press for expanded use of ethanol to boost agriculture markets. The alternative, critics say, is a collapse in corn prices and a sellout to big oil and environmentalist interests. The reality is that the control over the corn markets by the big corn processors, who are also the big producers of ethanol, has been the cause of the collapsing farmer prices for corn. Use of corn for fuel is a waste of energy and money.

Ethanol is a fuel made from the byproducts of vegetation biomass, such as corn. Its use has expanded a hundredfold since the Carter administration, when it was introduced under the guise of making the United States less dependent on imported fuels. It has become a boondoggle for the agribusiness cartels such as Archer Daniels Midland (ADM) and Cargill. Today, 350 billion bushels of corn are processed annually in Iowa and Illinois, in plants built with government subsidies and tax breaks. The goal is to triple the corn processed for this purpose.

In April, the Environmental Protection Agency announced that it would not include ethanol on its list of fuels which can be used to reduce pollution levels to comply with the Clean Air Act. The EPA argument was not that corn is too precious for food and feed purposes to be burned as a fuel, but that ethanol use can contribute to ozone depletion when warm weather causes the alcohol to evaporate. ADM, the biggest producer of ethanol, immediately announced that it was scrapping plans to increase its ethanol-producing facilities in Iowa. Farmers, desperate for markets, are falling for this definition of the controversy—it's us little farmers against the big, powerful oil interests.

Ethanol makes use of energy stored in plants through photosynthesis in the form of sugar or starch. Its two main sources are corn and sugarbeets. The sugar is fermented into ethanol and carbon dioxide by means of yeast. The carbohydrates are split off through hydrolysis, before they can be fermented into ethanol. This creates a 6-12% ethanol solution which is processed to a higher percentage through distillation. This process entails a considerable expenditure of energy. Through a repeated distillation, the so-called pure alcohol

is produced with an alcohol content of 90%.

The caloric value of ethanol amounts to 5.88 kilowatts per hour. A comparison with the heating power of other fuels is: straw (air dried), 4.31; wood, 5.23; coal, 9.24; and heating oil, 10. Ethanol thus possesses a caloric content similar to straw or air-dried wood.

## Wasting energy

But the energy costs of the production process must also be considered. Included must be the energy required for the cultivation, harvest, transport, and processing of the plants. Pilot projects in Europe showed that the net change in energy was negative. More energy must be employed in the production of the ethanol than is available for use in the end product. The energy content of the processed foodstuffs vastly exceeds the energy content of the ethanol produced. The product exhibits an energy density which is relatively trifling, compared with that possessed by the raw material out of which it was originally produced.

The degree of refinement—the quotient of the energy content of the processed foodstuffs to the energy usage of the production process—is: sugar beets, 5.0; potatoes, 3.17; corn, 5.36; grain, 3.6. The prospective products at harvest have stored the totality of the energy that must be expended through fertilization, watering, and the employment of machinery. When ethanol is further processed from these materials, the figures are: sugarbeets, 0.56; potatoes, 0.51; corn, 0.37; grain, 2.1. The degree of refinement is only positive for grain, and negative for all other products. Thus, more energy is used, in order to transform potatoes, corn, and sugarbeets into alcohol, than the resulting alcohol is able to deliver. When you include the caloric value used up during the production process, the proportion becomes absurd.

In order to calculate the real costs of ethanol, the processing schedule of the raw materials is decisive. Agricultural goods can only be harvested at specific times, and then can only be stored for a short time, so that the processing period is limited to 90-250 days. This raises the investment costs considerably, because for the rest of the year the installation lies idle. The fixed costs, such as installation, building, upkeep, and insurance, amount to about 50% of total costs. After that comes the 10% which makes up personnel, energy, and other costs. A study produced by the German government research ministry, "Fermented Alcohol from Agricultural Products as Bio-Fuel," shows that ethanol is four times as expensive to refine as gasoline.

German government studies showed that ethanol is not competitive with gasoline. For a fuel content of 5% ethanol, because ethanol has less energy content than gasoline, 12.5 liters of gasoline-ethanol mixture would be needed per 100 kilometers, as opposed to 8 liters of gasoline for every 100 kilometers. Studies made by Volkswagen indicate as well, with higher condensation and lower speeds, an increase in usage of 25%.

## **Banks claim record earnings**

*Interest-rate gouging and a "no such thing as a bad loan" policy hide massive insolvency in the second quarter.*

**C**ommercial banks in the United States earned a record \$7.9 billion in the second quarter of 1992, according to the latest Quarterly Banking Profile of the Federal Deposit Insurance Corp. (FDIC), demonstrating once again the outrageous statistical fraud which permeates government banking statistics, especially in an election year.

The second quarter earnings surpass the previous quarterly profit record of \$7.6 billion, set just three months earlier. Thus, the banks have supposedly earned \$15.5 billion in the first six months of the year, and are on a pace to smash the yearly earnings record of \$24.9 billion, set in 1989.

According to the FDIC, there were "two primary factors" which led to these record profits. First, "favorable interest conditions produced wider net margins for the fifth consecutive quarter," and second, "loan-loss provisions continued to shrink." Another factor cited by the FDIC was "gains on sales of investment securities."

Part of that is true. The banks have indeed made a killing because of the low interest rates, by dropping the interest rates they pay for money faster than the interest rates they charge for money. This price gouging does indeed produce "wider net margins." For the quarter, according to the FDIC, the banks earned \$64.5 billion in interest income, against \$31.6 billion in interest expense, yielding a net interest income of \$32.9 billion.

The rest of the story is pure fiction, sprinkled with just enough facts to make it fly. Banks have indeed been

cutting back on their loan loss reserves, which are funds set aside to cover future loan losses. At the end of the second quarter, the banks' aggregate loan loss reserves stood at \$55.3 billion, or \$516 million less than at the end of the first quarter, and some \$45 million less than at the end of 1990.

The banks' justification for this decrease in loan loss reserves, is that the level of non-performing loans has also been dropping. According to the FDIC, \$71.9 billion of loans and leases were 90 days or more past due at the end of the second quarter, down from \$75.3 billion the previous quarter, and down from a peak of \$85.4 billion in the first quarter of 1991. The level of "troubled assets" (non-current loans and leases plus foreclosed real estate), was \$99.7 billion at the end of the second quarter, the first time since the end of 1990 that figure has dropped below \$100 billion.

The claim that non-performing loans have been decreasing during a period in which the economy continues to deteriorate, while the biggest real estate bankruptcies in history are occurring, is absurd. What these figures really reflect, is massive collusion among bankers, regulators, and the press to hide the skyrocketing level of bad loans, and the bankruptcy of the banks, from public view. In effect, a political decision has been made that there is no such thing as a bad loan.

Thanks to this creative accounting, the banks reported a record \$9.3 billion increase in equity capital during the quarter, bringing total equity

capital to \$248.5 billion, and yielding an equity capital-to-assets ratio of 7.23%, the highest level since the 7.44% recorded for 1966. During the first half of 1992, equity capital increased a whopping \$16.7 billion, by the FDIC's phony numbers.

The situation with the banks would look much different, were one to perform some simple calculations with the FDIC's bad-loan data.

According to the FDIC, U.S. banks had \$858 billion in real estate loans outstanding at the end of the second quarter, of which 4.43%, or \$38 billion, were officially classified as non-current. The banks also held \$27.7 billion in foreclosed real estate. Together, that's \$65.7 billion in bad real estate, of which roughly half is held by the big banks. That \$65.7 billion is more than eight times the "record" profit reported for the quarter. Had the banks set aside reserves for just 12% more of their admitted non-performing real estate, the alleged record profit for the second quarter would have disappeared. Had they increased their reserves enough just to cover that admitted non-performing real estate, the \$10.4 billion required would have given the banks a loss for the quarter. Had they increased their loan loss reserves enough to cover their \$99.7 billion in reported troubled assets, they would have had to add \$44.4 billion, wiping out their "record profits" nearly six times over.

According to EIR's calculations, had the banks merely matched their loan loss reserves dollar for dollar with their admitted non-current loans and leases, the \$94 billion profit reported by the banks since the beginning of 1987 would have been transformed into a loss of \$398 billion, and the \$248.5 billion in equity capital would have been transformed into a negative \$243 billion.

## Monetarist solutions won't work

*The German economy is in a bad slump, but Moelleman's recipes will make it much worse.*

**G**erman Economics Minister Jürgen Moelleman has called for drastic action to keep a vicious cycle of stagnation in the west from undermining recovery in the eastern states, during the recent budget debate in parliament. "Most of the economic indicators point downward. The expected relief from exports is not within reach," he said. His call for tough fiscal austerity, public spending cuts, corporate tax reform, wage restraint, and large-scale deregulation, circulating in a ministry strategy paper, has been criticized by parts of Chancellor Helmut Kohl's Christian Democratic Union (CDU), and rejected outright by the opposition Social Democrats and the trade unions.

Moelleman's plan fits into a stream of proposals from the liberal-conservative Kohl government which business leaders have scored as "a constant flow of half-baked ideas," like the low-interest, tax-free "German Bond," or forcing non-investing high earners to buy government bonds to help rebuild the east German economy. The chancellor has lost touch with the business sector and has been repeatedly attacked for ignoring the economic crisis. Bonn policies threaten to ruin the economy, charged the chief executive of the federation of medium-sized businesses, Dieter Haerthe: "The government keeps on demanding better performance without creating the necessary policy framework."

In his state of the nation address, Kohl admitted that he, "like all others," had been wrong and nobody

knew how big a liability the debt left over from unification would be. The official guess is that when the Treuhandanstalt—the agency selling off East German assets—ends its task at the end of 1994, its debts will total DM 250 billion (\$173 billion). The other fund that assumed old corporate debts of the former communist enterprises, which the Bonn government refuses to write off, is likely to total DM 120 billion. These agencies' funds are supposed to be incorporated into the German budget over coming years, and the interest burden will make the deficit even worse.

Already, the budget for servicing old debt is the second largest category in the budget, with DM 58 billion this fiscal year and DM 59 billion or more for FY 1993. The budget for social support and welfare (which also is meant to mollify the effects of the high interest rate policy on industry and employment) is category number one, at DM 98.8 billion. New borrowings for next fiscal year are DM 38 billion. German total debt will pass DM 1.3 trillion by 1992's end and hit a record DM 1.34 trillion in 1993.

Since the economic strategy for the eastern states has failed so far, shrinking production and job losses there have cut the tax base to 20-28% of what it ought to be, and require continued subsidies from the western states. This will worsen if Moelleman, who tells investors there to "forget the markets in eastern Europe," has his way. Most industrial firms in the five eastern states are surviving only because of exports, albeit

on a much reduced level, to their traditional markets in the old Comecon. The Institute for Economic Research in the east German city of Halle warns that the collapse of eastern industrial production will worsen. The engineering sector, hit by the collapse in trade with eastern Europe, was producing in May just 25% of its monthly output for the second half of 1990. Bonn's Economics Ministry reckons that even if production and services in the new states increase by 100% till 1996, jobs will shrink by 8%.

In western Germany, the economy is slumping badly. Industrial output has been declining since 1992 began. Capital goods orders dropped by 8% in July. The machine tool sector, the backbone of German stability, lost 20% of its orders in 1991 and will likely lose another 25% this year. From June 1991 to June 1992, insolvencies rose by 24%. Huge job cuts are planned in the machine tool, auto, electrical, and chemical sectors. Western Germany is short 3 billion apartments. According to Caritas, 1 in 10 Germans lives below the poverty level and the number is rising; 4.2 million are on welfare.

Some economists have been warning that more fiscal austerity or monetarist belt-tightening will not stimulate the needed flow of productive investments into the physical economy in the east. Projects for transport or housing do exist. Herbert Ehrenberg, a former Social Democratic labor minister, argues that capital for infrastructure investments in the DM 100 billion range is available on the German capital market. These funds can be mobilized without risk, if investments are geared to productive use. East German states and cities should be exempt from interest for the next six years, under a scheme in which the German central bank will sell part of its substantial gold reserves.

# Business Briefs

## AIDS

### Sabin doubts vaccine will ever be possible

The developer of the oral polio vaccine, Dr. Albert Sabin, said that he doubts that a vaccine can ever be found to halt the spread of the AIDS virus, Reuters reported Sept. 12. "In my judgment, the available data provide no basis for testing any experimental vaccine in human beings or for expecting that any HIV vaccine could be effective in human beings," Sabin wrote in the *Proceedings of the National Academy of Sciences*.

Sabin said he is pessimistic about the chances for a vaccine, because the way the AIDS virus behaves in cells makes it very difficult to halt its spread, unlike with polio or measles where spread can be checked by a vaccine. He urged scientists to concentrate on killing the virus rather than preventing infection.

Sabin criticized scientists for disregarding the major method of transmission, anal intercourse, in which large numbers of cells containing the AIDS virus are transmitted to the recipient through the thin walls of the rectum and into the intestines. The AIDS virus is one of a group of viruses that reproduce themselves inside cells. Sabin said vaccines have been developed for viruses but not for virus-containing cells. He said a vaccine being tested in monkeys protected them from the simian immunodeficiency virus, which is related to the human AIDS virus, but not from infection from cells containing the virus.

## Labor

### IMF praises Polish government austerity

The International Monetary Fund (IMF) has said that the Polish government is on the right road, staying firm on budgetary consolidation and not giving in to "pressures," i.e., the ongoing strikes, to change its policy. IMF representative Michel Deppler, who has been in Warsaw recently, gave high marks to the strike-breaking policy of Prime Minister Hanna Suchocka and the austerity approach of Finance

Minister Jerzy Oziatinski, and mooted the opening of an IMF credit line to Poland in the "near future."

Oziatinski said he was hopeful that agreement on such a credit line, which has been frozen since October 1991 when the Polish government "violated" the IMF target of a 5% budget deficit, could be signed by early October.

A precondition for the credit line, however, is the collapse of the ongoing strike wave. Pressure from the government against coal miners resulted in the strike at the Rozbark coal mine in southern Poland being called off on Sept. 7. Workers there had been threatened with police action after the expiration of a government ultimatum. As a "concession" to workers, the government promised not to put them on trial for the "illegal" strike, and promised not to replace some plant managers.

The official jobless rate in Poland is now 13.4%, leaving more than 2.5 million unemployed at the end of August. Unemployment is expected to increase by at least another 50,000 each month, and to hit an estimated 3 million by year's end. Independent estimates say that the government's figures are much too rosy and that the real jobless rate is already close to 20%.

## Aviation

### Germany and Japan to cooperate in space

Germany's Minister of Research and Technology Heinz Riesenhuber returned from a trip to Tokyo recently, during which a number of agreements for cooperation in space were signed. *Aviation Week* on Sept. 7 reported that the two space-faring nations will join forces in automation and robotics, environmental research, remote sensing, and space transportation.

Most interesting is the work on a reusable manned spacecraft, which each country has been pursuing separately. The Japanese project, HOPE, is a small shuttle designed to be launched on a Japanese H-II rocket. Germany has been designing the Sanger Aerospace Plane, and the European Space Agency has been developing the French-designed Herm-

es. But neither European reusable spacecraft is being fully funded.

The German-Japanese project, called Express, will also have input from the former Soviet space program. The Community of Independent States will contribute work on reentry vehicle technology and manned life support development. Unlike the other contenders, Express would not be an aircraft-type design, but a capsule-type ballistic vehicle, similar to the concept of the Apollo capsule.

These arrangements for space research could make Japan less dependent upon the U.S. space program, Germany less dependent upon the European Space Agency, and give Russia more leverage in negotiating space agreements with the United States.

## Water Management

### Drought hits African industry

The drought is ravaging not only the food supply but the infrastructure and power requirements of Africa. Zambia faces a power crisis with falling water levels threatening its hydroelectric supply, John Wright, of the Zambia Electricity Supply Corp. (Zesco), said on Sept. 8. Zambia depends totally on waterpower for electricity.

Wright warned of a major crisis if rain does not fall by December. He said Zesco had cut output and was carrying out compulsory industrial and domestic electricity consumption cuts.

Zimbabwe, also suffering from the worst drought of the century, has plans to introduce electricity rationing.

## Infrastructure

### Iraq considers expanding irrigation project

Iraqi engineers are conducting a feasibility study into expanding Iraq's showpiece Third River irrigation project, by drawing off fresh water from the Tigris River and mixing it with

salty water from the Third River.

Project operations director Zuheir Abbas Mahmoud, told the government newspaper *al-Jumhuriyah* about the study in early September: "Four irrigation canals have extended into the heart of the desert taking water from Gharaf [the Tigris] and discharging it into the Third River."

The 565-kilometer (350-mile) Third River, expected to start flowing into the Persian Gulf within days, is being built to reclaim salty land by washing it with excess irrigation water from the Tigris and the Euphrates rivers. The aim of the feasibility study, Abbas said, was to look at the possibility of using the Third River itself as a future source of irrigation.

## Nutrition

### FAO sees 'paradox of plenty' in starving world

Famines kill millions of children and hundreds of millions of people are chronically undernourished, yet the U.N. Food and Agricultural Organization (FAO) and the World Health Organization (WHO) assume that the world has more than enough food to feed itself. This so-called "paradox of plenty" was discussed at a meeting on nutrition held by the FAO and WHO in Geneva at the end of August, which was the final meeting leading up to the International Conference on Nutrition in Rome Dec. 5-11.

The Rome conference is being touted as the most important on nutrition in 50 years. Background documents gave the latest global assessment of the state of human nutrition:

- Over 2 billion people suffer from deficiencies of essential vitamins and minerals, which can result in serious debilitating conditions including blindness and mental retardation, and death.
- One in five persons in the developing world is chronically undernourished.
- Almost 200 million children under five years of age suffer from protein-energy malnutrition, including more than 150 million children in Asia and 27 million in Africa.
- Every day 40,000 children under five years of age die, and malnutrition is a major contributing factor.

FAO reported that in about 50 of the world's poorest countries, undernutrition is widespread, causing high levels of physical wasting and stunting of children, and micronutrient deficiencies.

According to FAO, there was enough food in the world by 1988-90, if distributed according to individual requirements, to meet emergency needs. But it estimated that during that period, over 780 million people did not have enough food to meet their dietary energy needs for an active, healthy life.

By the end of the 1980s, about 60% of the world's population was living in countries which had more than 2,600 kilocalories available per person per day. But at the same time, there were 11 countries, mostly in sub-Saharan Africa, with a population of 123 million, where dietary energy supplies were grossly insufficient. Today, this number is considerably higher, with the current drought in southern Africa.

## Asia

### Mt. Pinatubo wreaks havoc in Philippines

At least a million Filipinos have been hit by floods and mudflows from the Mount Pinatubo volcano, but the government does not have the money to help them, Reuters quoted President Fidel Ramos saying Sept. 10. For the second time in four days, Ramos flew over devastated areas around the volcano and appealed for international aid.

"The relief and rehabilitation needed by the Pinatubo victims are just too massive for the government alone to address," Ramos told officials in Bulacan province. "Because of the [mudflows], we continue to see a million countrymen suffering, representing 200,000 families," Ramos said. "Many of [them] will not be able to have any normalcy in their lives for three to five years," he added.

Budget Secretary Salvador Enriquez said on Sept. 8 that the government needed at least \$20 million to repair roads, bridges, and buildings wrecked by the mudflows. The volcano has been rocked daily by hundreds of quakes during the past few weeks, possibly presaging another big eruption, scientists say.

## Briefly

● **THE WORLD** Health Organization is surveying cases of unexplained severe immunosuppression in adults without serological or virological evidence of HIV infection, the virus which causes AIDS. Since 1989, 12 medical publications have reported such cases in Australia, Denmark, France, Germany, Spain, the U.K., and the U.S.

● **IBERO-AMERICA** sold off \$40 billion in government-owned businesses in the last five years to pay foreign and domestic debts, Reuters reported Sept. 12. Reuters failed to point out that these sales have been far below the real worth of the companies. Their true value was probably more than double \$40 billion.

● **MINISTERS OF HEALTH** of the World Health Organization member states in Africa have called for a strategy to control and prevent cholera. They noted that cholera is a disease which will require extensive financial outlays to bring under control.

● **CAIRO, EGYPT** has been chosen as the site for the September 1994 Third International Conference on Population, sources report. This event follows Bucharest in 1974 and Mexico City in 1984. An initiative by the "Pintasilgo Commission," named after Maria Lourdes de Pintasilgo, former prime minister of Portugal and a leading member of the Club of Rome, will be launched soon.

● **JAPAN** and Malaysia agreed to "issue a strong warning" to the U.S. and Canada that the North American Free Trade Agreement not exclude them from North American trade, the Sept. 10 *International Herald Tribune* reported.

● **KARL MARX** was a stock speculator, the Beijing *Youth News* said in its effort to justify the development of capitalist-style stock markets, Reuters reported Sept. 8. "It doesn't take much time to do this, and, if you are willing to risk a little bit, you can grasp money away from your opponents," the newspaper quoted Marx.

## A Hamiltonian national banking plan for East Europe

by William Engdahl

*The author presented this speech to the Schiller Institute conference on May 2, 1992, in Kiedrich, Germany, to an audience which included numerous representatives from formerly communist countries in central and eastern Europe. The intervening months have made the situation he describes even more chaotic, and the solution so much the more urgent.*

It is becoming clear to nations of eastern Europe that the International Monetary Fund policy for economic reform is a recipe for catastrophe. The question is, what concretely to put in the IMF's place? What follows is our concept of what a national economic alternative could be. We refer to the model developed by the first American treasury secretary, Alexander Hamilton, who set out to rebuild the economy of a war-torn, bankrupt, and indebted United States in 1790, after America's revolution against English "free market" colonialism.

Various models have been proposed by the IMF, by Milton Friedman, Jeffrey Sachs, or in the extreme, by Paul Volcker, who argues east Europeans should have *no* central bank, until they first have built some mysterious, undefined thing called a "free market." In opposition to these Bretton Woods, or more properly, latter-day Versailles System schemes, nations of eastern Europe must urgently move to establish sovereignty over their own national economic policy.

This sounds simple, but it is fundamental. In the West today, there exists a perverse mirror-image of the old communist "world imperialism," under the banner of "globalization" or multinational "economies of scale," which tramples on the essential rights of the nation-state.

We address ourselves here to what supporters of both

Karl Marx and Adam Smith would seek to destroy: the economically sovereign development of the nation-state.

Essential to such national economic sovereignty is establishment of a mechanism to direct credit to projects and enterprises, deriving its legitimacy from duly elected national representative bodies or parliaments. Let us call it a national bank, more or less on the model of Hamilton's First Bank of the United States.

Unlike today's U.S. Federal Reserve, such a national bank would not be the captive of a tiny elite of powerful private banking interests, imposing policy by fiat. It would rather be answerable to popularly elected government bodies. The management of the bank should be positions of the highest national trust and honor, staffed by persons selected from a cross-section of national life—agriculture, industry, science, economists—not merely bankers.

The national bank's charter must give it the explicit mandate to foster the general welfare and prosperity of the nation as a whole. Given the extraordinary tasks at hand, the bank must not be limited, as the German Bundesbank is, to a narrow mission of maintenance of "price stability and stable foreign exchange." Rather, national bank policy must be broadly to nurture the increase of "potential relative population density" of the nation, as defined by American economist Lyndon LaRouche in his *The Science of Christian Economy* and elsewhere.

According to the specific conditions pertaining in each country, this national bank must be able to utilize various tools to accomplish economic growth, consistent with the principle of promoting technological progress, orderly trade with other states, and a rising per capita living standard, as well as providing for the general safety and defense of the



nation. This explicitly should be mandated to include promotion and maintenance of productive agriculture and industry, as well as electrical, water, transport, and communications infrastructure.

There also must be a provision embedded in the national constitution, providing for the impeachment of bank officials in the event that they have forsaken their mandate to promote such productive credit generation, or have been proven guilty of conduct breaching the public trust placed in them.

What exactly would such a bank do?

The dangerous notion has been fostered among the people of East Europe that any form of state intervention smacks of the old regime, and must be avoided. This dangerous fallacy is being opportunistically used by people such as Harvard's Jeffrey Sachs, to replace tyranny of a communist elite, with a new, equally pernicious tyranny of supranational control, this one mediated through the dollar and the IMF. The specific aspects of this IMF control have been detailed by us elsewhere. The policy mandate of the national bank must reject wholly any interference by the IMF into sovereign national affairs.

### **Creating the new national currency**

The national bank must be the sole issuer of the national currency. The supply of credit from the bank must encourage the maximal rates of industrial and agricultural growth, while at the same time preserving living standards of the population by ensuring against undue rates of inflation. This is only possible through the bank's maintaining steady rises in per capita output via establishment of more effective economic infrastructure and rising technological capacities in the productive economy.

First, in order to establish confidence in the national bank, in the face of rampant corruption, market anarchy, and price inflation in many places in the East, the national bank must establish a new currency. This currency must be backed by the one hard commodity which has over centuries been accepted as the international anchor of value: gold. A recommended ratio of gold to total credit in the reserve of the national bank would be on the order of 10-15%. The Reserve Bank of South Africa, for reference, the world's largest gold producer, holds a quite high, 25% gold reserve, as it has access to the metal in ample supply.

A word about the role of gold in basing the new currencies: Since the introduction of Sachs and the IMF economists into the debate, discussion of using gold to back eastern currencies has mysteriously vanished, in favor of a "dollar-based" currency reform. There is a reason for that: Since Aug. 15, 1971, the United States has unilaterally abandoned its gold redemption for the dollar, in order to cheat the entire world trade system by inflating its currency at will, forcing trading partners to take the inflated dollars to pay for oil and other goods.

By making the dollar the currency of trade in East Europe,

Washington is able to tie the economies of the region to the dollar at a time that the dollar itself faces the greatest devaluation pressures in its history. Prudence would make it essential, then, to have a recognized hard unit of value—gold—as anchor to the new currencies. The dollar is no longer in this sense a "hard currency."

Gold reserves much larger than 10-15% would unduly hamper expansion of credit for economic growth. Higher ratios of gold reserve would put the most severe brake on credit growth imaginable, and precipitate the kind of crisis such as occurred under the British gold standard during the 1873-96 depression.

But the secret to maintaining the value of the new currency is that its gold-backed issue be accompanied by real and rapidly visible improvements in production of essential goods to the economy. Once the population realizes the existence of a genuine government commitment to this overall production improvement, confidence in the national currency will stabilize, and the black market or shadow economy will fade into the background.

The key is the increase of essential production through the credit policy of the new national bank, as will be elaborated below.

The national bank creates the new currency by calling in all old currency and exchanging it for new. This has the benefit of enabling the government to control the dangerous black markets rampant in the eastern economies. Each holder of old currency would have to account for its origins in the exchange process, or forfeit it without compensation. This must be done in a manner to gain the confidence of a distrustful population, which is sensitive to repeated betrayal by state officials.

The national bank must impose exchange controls—just the opposite of IMF demands—and, as its initial act, call in all foreign currency circulating through the economy. The phenomenon of "dollarization" of the economies of East Europe in recent years, is a direct parallel to the process by which looting of the resources of Third World economies, by those able to command dollar currency, was carried out over the past decade.

If this cancerous dollarization is not brought under control, and offenders dealt with as criminal offenders against the public interest, no independent national economic policy is possible. But, once the central bank buys the stock of dollars—under some form of short-term amnesty for dollar holders—in exchange for its new national currency, perhaps with an initial inducement to make it attractive, the national bank can use the foreign currency to back the country's international trade transactions. In Russia alone, there is estimated to be some \$10 billion circulating in the black economy. Many industrial countries, including France and Italy, Taiwan and South Korea, have maintained exchange controls for much of the postwar period.

Simultaneous to this creation of a new national currency

and imposition of exchange controls, the national bank and the respective governments would begin, where relevant, a “rollback” of the price and other monetary shocks of the recent IMF measures, to more rational levels.

Under the old Soviet system, “domestic debt” did not exist as a category, as the central government owned the means of production, and legally the people and the state were synonymous. Thus, when the Soviet state began to incur dramatic economic problems, notably following the 1986 collapse of oil-based dollar export earnings, the state simply ordered the Gosbank to print more ruble notes to meet shortfalls in receipts under the state plan—much like Washington does today.

The Soviet state budget deficit grew fourfold from 1985 to 1990. But the physical production of the rotting industrial economy was falling sharply, meaning an explosive increase of rubles in the hands of a public which had fewer and fewer goods to buy from official state shops. This led to a predictable flourishing black market. As exchange controls fell, it became common for unscrupulous western traders to come to East Europe loaded with only borrowed dollars to buy up valuable raw materials at dirt-cheap western prices on the black market.

In short, the national resources of eastern European economies are being looted shamelessly for the interest of a corrupt handful, in the name of the IMF’s “market economy.” Such “dollarization” is one of the real objectives of IMF demands in East Europe, a supranational neo-colonialism.

By pegging a national currency to the dollar, as Sachs did in Bolivia in the mid-1980s, a less-developed economy is made hopelessly dependent on terms of trade, which can never be to its own national advantage. The only difference between this and 19th-century British financial colonialism, is that the Bank of England has been replaced by the IMF and the dollar.

### **Administrative guidance**

Now, how does the national bank direct credit to the areas where it can most benefit the country? The major problem is how a country can proceed in an *orderly way* from centralized top-down economic control to a mixed economy in which the individual firm or family farm is more and more the basic unit of initiative, in the context of a rising overall living standard.

In many economies of eastern Europe, the most basic cultural requisites of experience with decision-making initiative are lacking, owing to the history of the last decades. The paradox of economies wanting market structures while having centralized state ownership, has to be addressed in a way which will allow the development as rapidly as possible of experience with more direct initiative of farm or factory in context of an overall national economic policy. The process whereby the population gains such confidence is essential.

One proposal would be to build the experience base in a clearly defined transition away from top-down to decentralized economic life, using the national bank as the centerpiece.

For example, factories in the East are today often rife with discontent, as demoralized workers and technicians confront the absurdities of central planning, which calculates the number of screws or bolts based on a bureaucratic central plan made in Moscow or somewhere remote from the production site. Examples abound of capacity left idle due to a bureaucratic failure to send such things as electric sockets so a new factory can operate!

The national bank, on the mandate from parliament, could, for example, encourage self-interest of the individual factory or farm producers, by issuing State Share Ownership Certificates, a legal title but at “no par value”—say, one share per each worker or employee in a former state-owned factory or farm. The shares would be non-transferable, and without cost. In event of a worker’s death or retirement, the share might pass to the remaining employees. The operative principle being, that now the factory is no longer owned by the state centrally, but by the persons most directly engaged with its output.

Further, this factory or farm unit must be transferred “debt free” by the national bank. Any previous debts under the state system were legal accounting fictions or central planning tools, which must not be allowed to hamper the priority goal of improving physical output of the economy. Other countries must not permit the tragic error of the German Treuhand in honoring this old debt.

Then, the individual factory or farm group would bid for credit from the national bank, via a network of regional banks—banks initially state-run, but later adding private, regulated banks as much as possible. This bidding process, analogous to discounting of bills of exchange or letters of credit in a western banking system, gives the national bank, as source of currency issue, the ability to guide economic development, consistent with overall national economic priorities as, say, would be set out in parliamentary deliberation.

Initially, with the crucial difference of elected parliamentary decision replacing that of an old Communist Party bureaucracy, the formal aspects of national planning would superficially appear to be somewhat similar to the old idea of a national plan. Without planning, no nation in history has succeeded. The crucial difference is that, by issuing, free of cost, share ownership of the means of production, the state has taken the first major step in removing itself from the inefficient business of running everything, and has begun the process of developing individual initiative in the broader context.

Then, under this new, let us call it the National Enterprise Ownership Law, the ownership of state-run factories and farms could be transferred to the local farm or factory em-

employees, in the form of such shares of ownership, for a predetermined period—say, 8-10 years. This could then be reviewed by the national bank or designated representative local banks, on a periodic basis. After the 10 years were up, or before, if deemed appropriate by the share-owners, ownership of the factory or farm could be sold to others. This guarantees, if imperfectly, a transitional mechanism of placing responsibility as well as incentive rewards for greater efficiency and productivity, with those producing.

The difference from IMF “price shock” approaches, or “privatization” to foreign investors who can grab assets for dirt-cheap prices, owing to the temporary disadvantage of the economy in transition, is that we preserve essential national production capacities and work force, while introducing a mechanism for a process of transition and modernization of the economy and ownership. Around major infrastructure projects, smaller subcontractors grow up, which bid to perform specialized jobs in construction, electrical installation, etc. for the large project, thus forming the seed crystal of a genuine *Mittelstand* [the German term for small and medium-sized enterprises].

Then, as the factory begins to generate a “net profit” above the initial contracted production volume needed for the national parliamentary plan, that net profit should be divided, specified as well in the legislation. Let us say one-third would go directly to the employees as dividend or profit-sharing; one-third would go into the capital investment of the firm itself, for modernization of machinery, etc.; and one-third would go, in the form of taxes, to the national government. As profitability gradually begins to increase, the state builds a tax base and is able to substitute this for financing its essential operations.

The economy of Yugoslavia, after a break in 1952 with Stalinist state planning, moved in some respects to such a factory initiative. Indeed, until they began to abandon it after the 1974 oil shock, the approach produced dramatic increases in the national growth rate. But one fatal flaw limited the adaptability of that model: The communist regime feared to turn over *ownership* to the local unit, only operational control. Such a full break is essential.

### **Productive credit generation**

How then does credit get to the enterprises most able to productively use it for the greater prosperity of the overall economy in this transition?

Initially, for the first several years until a genuine industrial *Mittelstand* is established, most national economic activity must originate from the central government. For example, the parliament might in year one, approve a national budget in which the goals of credit allocation are as follows: 40% to transportation, energy, and communications infrastructure; 20% to manufacturing and mining; 20% to agriculture; 8% to housing construction; 5% to defense; 7% to other expenses.

The state government then finances its overall annual expenses by issue of state treasury bills, essentially IOUs of various duration—say, 12 months to 10 years. These bills are then “discounted” to the national bank, which credits the government with the face value, *minus* the accumulated interest the bill offers until maturity—the so-called discounting. If it is, say, a one-year treasury bill of 1,000 rubles, bearing a 5% yield, then the government would get 1,000 minus .05 times 1,000, or 950 rubles on its account at the national bank.

The state government then offers credit via the banking system, which then, perhaps on a competitive bid system where practicable, makes funds available to local enterprises to fulfill government annual requirements for construction, infrastructure, etc. The national bank, by altering its discount rate of interest for funds, can determine the rate of credit circulation in the economy. Local or commercial banks must be required to place a certain percent—say, 10% of total liabilities—into a reserve account with the national bank, in the event of bad loans. The rest they loan out to local enterprises at a specified rate of interest—not to exceed, say, 5-6% annually, preferably less.

Thus we have established a national banking system tied to the overall guidance of the elected parliamentary body, with the mandated task of developing the national economy along lines specified above.

As rapidly as private or local assets in the community can be consolidated, local communes or agricultural co-ops could begin to apply for a charter, upon satisfaction of basic prudential requirements, to establish their own local or private bank.

Such a system would develop over time, as savings capital accumulated in a growing economy. But the national bank constitution must explicitly set the basis for such a banking system to develop. Such local banks would then obtain capital from the national bank at a price set by the national bank's discount rate. Local banks would put up their bills of exchange or letters of credit from their lending to local industry and agriculture, to the national bank, which then “discounts” it to make credit available to the local bank for further lending. This ensures overall control over money and credit in the national bank, a guard against the kind of fiat money problem of local banks arbitrarily creating their own money—a problem also in the United States before the creation of the national bank in 1790.

### **Foreign trade**

From the standpoint of such an organized national bank, the problem of orderly international trade relations is solvable. First, as with the young United States in the first years under the Hamilton national bank after 1790, or Germany after the 1870s, under the influence of Friedrich List's Customs Union (*Zollverein*), the parliament must establish the desired national economic policy of fostering the nation's

own industry, to lessen dependence on foreign ones, and to encourage economic self-sufficiency insofar as is practical.

This point is essential, for without it, no national bank can carry out its necessary mandate to order the monetary affairs of the nation and to defend the national currency. Again, the opposite of IMF policy.

Such a policy ensures that the national economic mandate of the bank, as laid out by parliament, coheres with the foreign trade policy of the nation. This gives the national

---

---

*If nations of eastern Europe pursue a strategy of national economic sovereignty, and invite nations such as Germany or Japan to negotiate on a strict bilateral basis, this could break one of the worst barriers worldwide to human progress we have in this century: the power of the IMF. The nations of eastern Europe possess far more power than they have yet realized. This is what the friends of Jeffrey Sachs in Washington fear they might realize.*

---

---

bank a clear criterion to provide the orderly basis for foreign trade. Initially, as was the case in the United States in the late 1780s, most foreign trade will tend to be organized around large barter transactions. An example might be Russian crude oil of a stated grade delivered in Kiev, for so many tons of Ukrainian grain.

Such arrangements, outside the destructive notion of "world market price," must be made to secure the essential major commodity flows of the nations of East Europe. The very notion of "world market price" is a false one. There exists no such thing as a "world" market, but rather many regional or national or even local markets. The "world market price" idea has been fostered by the IMF economists and multinational corporations to further a global monopoly role in the trade of vital raw materials. Thus today six giant companies, all either American or British—Royal Dutch Shell, British Petroleum, Exxon, Mobil Oil, Texaco, and Chevron—control the entire terms of trade of the international oil markets. Some four giant firms—Cargill Inc., Continental Grain (Tradax), Archer Daniels Midland-Töpfel, and Con-Agra—control 85-90% of all international trade in grain. They are the ones that speak of a "world market price," but

in reality it is the price which they seek to impose on local markets, to their own advantage.

Thus, rather than orient to such a disadvantageous "world market" at the initial fragile stage of national economic development, the nations of eastern Europe would be better advised to seek trade on a mutually beneficial basis with other countries sharing similar problems. This would include developing new trade ties with nations of the South—India, the Middle East, Asia, Africa, including the Republic of South Africa. These are emerging economies with, in many cases, similar economic problems.

Ultimately, of course, barter is a cumbersome necessity, to be superseded as soon as this is practical by some form of international clearing mechanism. Postwar western Europe, with collapsed industrial capacities and no currency convertible to another, established such a system, the European Payments Union, which served during the initial postwar period of reconstruction and "dollar scarcity," from 1950 until the European Community was formed in 1958, and the national currencies of western Europe gradually became convertible with one another.

The problem with certain trade clearing proposals proposed today, is that they insist on a model with the reserve based only on the dollar. This would further tie the Community of Independent States and other East European trading partners to dollar dependency. The problem is clear from what has been outlined above on "dollarization."

One alternative suggested would be a pool from the major trading countries of an agreed reserve of deutschemarks or European Currency Units (ECUs), to reflect the reality of import and export relations. But, to avoid total dependence on major currencies which "float" against the dollar, such as the deutschemark, the fund should include a contribution from member countries of a mix of gold and, say, deutschemark hard-currency reserves. This provides the margin of security sufficient to assure other trading parties that the risk in orienting trade flows to the stated export market is worth taking. The reward is resumption of industrial export markets, while the various national economies begin to order their internal economic improvements as described above.

The initial issue of where and under whose guardianship this, let us call it, East European Payments Union (EEMU), should reside, to instill the greatest confidence in all parties, must be negotiated. Perhaps the institution which does this clearing function might be in Kiev, Prague, Budapest, or Minsk. It would not represent a central bank, but merely a clearing mechanism to facilitate early stages of resuming trade, to replace the old imperial arrangements of the "convertible ruble."

But once this payments union mechanism is established, in the context of the appropriate national banking model described above, essential cross-border trade flows could

resume on a far more promising basis. Such an approach would also keep the emerging fragile economies of the East from undue dependence from unscrupulous western interests or the inevitable IMF blackmail threats.

One quite economical proposal for the present "cost-concerned" German government, would be for Germany to set aside, with no IMF or other conditions attached, a special deutschemark or other European Monetary System member currency fund (not dollar), in an amount which, according to one estimate, would not have to exceed some DM 4 billion. This would be a one-time payment to help set up the East European Payments Union. That fund, which would not oblige individual eastern economies to lock up their scarce hard currency, would also reward the German government by giving eastern German firms today facing bankruptcy in a western market, immediate potential to resume profitable export to the eastern markets.

Compared to the DM 180 billion or so today being spent by the German government on unemployment compensation in eastern Germany, this is a ridiculously small sum, which would in a matter of weeks pay for itself many times over, as productive labor is again used to make goods for export, saving German taxpayers billions almost immediately. One can argue that such is the only feasible solution for the present mishandled German economic policies in the new federal German states. But any East European clearing mechanism must not wait for Bonn or any other western state to see the light of reason on this issue.

Whether or not the authorities in Bonn are rational in this regard, the establishment of an EEPU among the trading states of the region is urgent. Based on such barter agreements bilaterally among the various states, the EEPU would then use its hard currency and/or gold reserve to make annual settlements, but only of the balances outstanding between specific countries. Because of the existence of a central hard-currency and gold reserve, member-states of the union would have confidence that, unlike the old imperialist "convertible ruble" system of the Comecon era, which never was "convertible" but merely left other states with increasingly worthless rubles at year-end, trading partners would have the confidence of gold or hard currency settlement of that small portion of trade in surplus or deficit at year-end. Properly done, this would create confidence in each national currency as an internal medium of exchange (not outside the EEPU), and would contribute enormously to stability of present chaotic trade in the region, without touching national sovereignty.

### **The hard-currency debt**

A word is in order regarding the problem of the hard-currency foreign debts incurred under the pre-1990 era of communist relations: \$160 billion or more for the entirety of East Europe, including Russia.

From the standpoint of effective national banking and a

regional clearing mechanism for trade, the hard-currency debt problem—today a devastating obstacle to growth—becomes one of the simplest to solve.

The basic approach of the Adenauer government in the 1950s London debt conference, as described earlier, should be the model. No penny of hard-currency debt is repaid until trade surplus on current account begins to create the account with which such debt can productively be serviced, without damaging the priority of national economic growth.

Each debtor country must consolidate all foreign hard-currency debt, and the national bank issue against it 10- to 30-year state bonds. To show good intent in honoring ultimate debt obligations, even those undertaken by the illegitimate previous regimes, the government could offer to pay a nominal interest, of its *own* determination, not that of the IMF, of not more than, say, 3-4% per annum for a transition period of 5-10 years. Then, as the economy begins to function, the servicing of principal could be added. But in no case must the old interest arrears be allowed to be added onto the future principal—what the IMF calls "interest capitalization," which only ensures that "the more you pay, the more you owe." Interest is a political creation, nothing else, and must be so treated.

Precedents exist. When Washington imposed a political credit embargo on South Africa, South Africa in turn froze all foreign debt. They put it all in a "box." This was a debt moratorium, though terrified western bankers agreed never to name it so. Then South Africa negotiated, country by country. It found that West Europeans were not happy with Washington's pressure—which had to do with control of South Africa's vital strategic raw materials, not racial justice. South Africa offered two options: "If you agree to our terms, we take you out of the 'box.' Your debt is then a 'registered debt' or special bond, on which we pay interest for 10 years, until which time we can repay in a lump sum the old debt. Otherwise, we will pay you a mere 2-3% interest, and nothing on principal." The banks had no choice.

As remote as it might seem from the vantage point of Kiev or Prague or Warsaw or Zagreb, as the Bretton Woods order is now collapsing in the West, it is possible to split individual creditor governments from the "iron front" of London, Washington, and the IMF. Washington today is indeed a bankrupt "emperor with no clothes." If nations of eastern Europe pursue a strategy of national economic sovereignty, combined with the strength of the regional barter arrangements we have described, and from this strength invite individual nations such as Germany or Japan to negotiate on a strict bilateral basis, this could, if done right, break one of the worst barriers worldwide to human progress we have in this century: the power of the IMF. The nations of eastern Europe possess far more power than they have yet realized. This is what the friends of Jeffrey Sachs in Washington fear you might realize.

## Mercantilism vs. free trade: the war for Ibero-America

by Cynthia Rush

*This speech was delivered to the founding conference of the Ibero-American Solidarity Movement, which was held in Tlaxcala, Mexico on May 18-22, 1992.*

The decade of the 1980s saw the brutal imposition of the policies of free trade or “opening” throughout Ibero-America. There is not a single country which escaped the recipes prescribed by the International Monetary Fund, and we can see the devastating results before us. We haven’t seen such a coordinated offensive since the middle of the nineteenth century, when Great Britain successfully smashed all efforts to reject its policies. However, as in the mid-nineteenth century, this offensive has once again put on the agenda the battle which began three centuries ago, between Adam Smith’s free trade and the system identified by the name *mercantilism*; that is, the fight of sovereign nation-states to develop their economies and their populations in opposition to the imperial system which seeks to loot through speculation and quick profits.

Mercantilism has its roots in Spain and Portugal of the fifteenth to seventeenth centuries, in the great thinkers and economists, among them the Catholic monarchs Ferdinand and Isabella, who refused to make their nations simple exporters of raw materials in a relationship of dependency with Great Britain. They sought unity on the basis of national and universal principles, the same ones which were transferred to the New World through the discovery and evangelization of this continent.

This system broadened and acquired its modern expression in seventeenth-century France, where minister Jean Baptiste Colbert collaborated with the great scientist and philosopher Gottfried Leibniz to successfully apply the concept of physical economy and, for a time, transform that country into an unprecedented model of economic and technological advance. Adopting these principles in the nineteenth century, Alexander Hamilton, Mathew and Henry Carey in the United States, and Friedrich List in Germany transformed their respective nations into industrial powers. Their writings, together with those of their precursors, gave





*President Theodore Roosevelt's "big stick" enforced debt collection for the international bankers. His administrations marked the consolidation of the U.S. alliance with Great Britain, against the mercantilists of both Ibero-America and the United States.*

form to the nineteenth-century battles in Ibero-America in which nationalist and patriotic factions sought to consolidate national economies and sovereign states.

Unfortunately, due to the lies, propaganda and slanders associated with the Black Legend,\* together with Great Britain's geopolitical manipulations, many people know very little of this system's positive contributions, or even that it was positive. The history books have told us that this system was "authoritarian," "reactionary," "despotic," and generated "inefficient statism" and "fanatical Catholicism." The political or military leader who failed to accept the system of free trade automatically became a "dictator" or "tyrant" who despised "freedom" and "democracy."

### What is mercantilism?

What are the primary aspects of this system, compared to free trade—or what Pope John Paul II has called "savage capitalism"?

1) *Role of the state:* Mercantilism was consolidated alongside the emergence of the sovereign nation-state; unlike imperialism, which is based on the looting of satraps or colonies, the mercantilist state organizes its economic activities

\* The Black Legend is the lie created by British and Dutch intelligence, which portrays Catholic Spain as a nation of evil degenerates and genocidalists. The legend particularly lies about Spain's colonization and evangelization of the New World, and lies about, or omits completely, the positive tradition of Spanish mercantilism, which was transferred to the New World, and which the British especially tried to destroy.

on the basis of the principle of sovereignty. This includes protection of internal industrial development, and setting priorities for economic development and for the use of credit and trade.

2) *Role of the armed forces* as a defender of the nation's sovereignty and territorial integrity.

3) *Concern for social good:* Contrary to the imperial system, long-term investment is made in the development of infrastructure, the labor force, education, culture, and the arts. Population growth is a positive benefit, because man and his role in society are valued.

### The British System

What do the spokesmen for free trade say?

For Adam Smith, the nation was nothing more than the collection of all the individual interests of all the inhabitants of a country—Aristotelian thinking par excellence. According to this mentality, the nation-state, not to mention the sovereign individual, could never exist. In his *Theory of Moral Sentiment* of 1759, Smith described his concept of man:

"The care of universal happiness of all rational and sensible beings, is the business of God and not of man. To man is allotted a much humbler department, but one much more suitable to the weakness of his powers, and the narrowness of his comprehension; the care of his own happiness, of that of his family, his friends, his country. . . . But though we are endowed with a very strong desire of these ends, it has

been entrusted to the slow and uncertain determinations of our reason to find the proper means of bring them about. Nature has directed us to the greater part of these by original and immediate instincts: hunger, thirst, the passion which unites the two sexes, the love of pleasure, and the dread of pain.”

So, according to Smith, man was inspired only by bestial, physical sentiments, not reason.

Thomas Malthus, another agent of the British East India Company, said the following in his *Essay on the Principles of Population*:

“All children who are born, beyond what would be required to keep up the population to a desired level, must necessarily perish, unless room be made for them by the death of grown persons. . . . We should facilitate, instead of foolishly and vainly endeavoring to impede, the operations of nature in producing this mortality. . . .

“Instead of recommending cleanliness to the poor, we should encourage contrary habits. In our towns we should make the streets narrower, crowd more people into the houses, and court the return of the plague. In the country, we should build our villages near stagnant pools, and particularly encourage settlement in all marshy and unwholesome situations. But above all, we should reprobate specific remedies for ravaging diseases and restrain those benevolent, but much mistaken men who have thought they are doing a service to mankind by protecting schemes for the total extirpation of particular disorders.”

In his *Harmony of Interests*, American economist Henry C. Carey, made the following apt observation about British malthusianism:

“In Europe, on the contrary, population is held to be superabundant. Marriage is regarded as a luxury, not to be indulged in, lest it should result in increase of numbers. ‘Everyone,’ it is said, ‘has a right to live,’ but this being granted, it is added that ‘no one has a right to bring creatures into life to be supported by other people’ [John Stuart Mill, *Principles of Political Economy*]. Poor laws are denounced as tending to promote increase of population—as a machine for supporting those who do not work ‘out of the earnings of those who do’ [*Edinburgh Review*, October 1849]. . . . Labor is held to be a mere ‘commodity’ and if the laborer cannot sell it, he has no ‘right’ but to starve—himself, his wife, and his children. . . . Such are the doctrines of the free trade school of England, in which political economy is held to be limited to an examination of the laws which regulate the production of wealth, without reference to either morals or intellect. Under such teaching, it is matter of small surprise that pauperism and crime increase at a rate so rapid.”

### **The ‘danger’ of mercantilism**

Great Britain, and later its allies in the United States, understood perfectly well that a system which proposed defending national sovereignty, with military force if neces-

sary, and subordinating foreign interests to national ones, constituted a grave danger to its goal of maintaining Ibero-America as a colony capable of eternally providing raw materials to the industrialized nations’ markets in exchange for manufactured goods from same.

For the Anglo-Americans, the danger remains the same today. In March 1990, the Trilateral Commission’s report entitled *Latin America at the Crossroads: The Challenge to Trilateral Countries* argued that “long-festered flaws in the region’s economic institutions” are due to “the mercantilist practices of their former colonial rulers.” Such practices, the report underscored, had produced an inefficient “statism,” uncontrolled population growth, and “excessive economic nationalism” throughout Ibero-America. Aside from insisting that progress could only be achieved through economic liberalization, the report proposed eliminating the role of the armed forces, given that the “communist threat” supposedly no longer existed.

In 1975-76, one of the primary agencies of the Anglo-American establishment, the Council on Foreign Relations (CFR), published *Project 1980s*, one of whose volumes, *Alternatives to Monetary Disorder*, written by the former editor of the London *Economist*, Fred Hirsch, warned that if the policies of free trade were to be imposed in the developing sector, all vestiges of “neomercantilism” would have to be eliminated. Hirsch complained that the developing countries sought to “politicize” discussion of issues relating to economic development, energy resources, and international finances for the purpose of forging a new world economic order “more favorable to their interests.”

Hirsch wrote that Alexander Hamilton in his *Report on Manufactures* had posed similar mercantilist concerns. According to Hirsch, Hamilton “expressed the opposition of American nationalists to their country’s assuming the role of a raw materials exporter to Britain. Nationalists feared and opposed two aspects of this role: the tying of American economic development to the British economy and the growing dependence on Britain for goods vital to national defense.”

To guarantee that the monetarist policies of the Anglo-American establishment were successfully implemented, Hirsch proposed “the controlled disintegration of the world economy” and the creation of “a framework capable of containing the increased level of such politicization . . . by setting bounds to arbitrary national action and thereby containing the tendencies toward piecemeal unilateral action and bilateral bargaining that may ultimately be detrimental to the interests of all parties concerned.”

It should be noted that just a few years after the publication of *Project 1980s*, the debt crisis exploded in Ibero-America, effectively smashing any nationalist opposition and paving the way for the imposition of free trade policies over the subsequent decade.

Another revealing discussion of mercantilism is that

# British geopolitics in Ibero-America

**1. Argentina:** British forces invaded the port of Buenos Aires in 1806 and 1807, but were repelled by local troops.

**2. Uruguay:** By manipulating both Brazil and Argentina, Britain achieved the independence of Uruguay in 1828, which then served as a base for British operations throughout the 19th century.

**3. Mexico:** The French invaded in 1863 and installed Emperor Maximilian on the throne; this coincided with the

British attempts to dismember the American Union in the Civil War (1861-65).

**4. Paraguay:** The British engineered the War of the Triple Alliance (1864-70), pitting this small nation against Brazil, Uruguay, and Argentina in a genocidal war from which Paraguay never recovered.

**5. War of the Pacific:** Backed by British financial interests, Chile waged war against Bolivia and Peru (1879-81).

**6. Chile:** In 1891 British interests financed a phony "revolution" against President José Manuel Balmaceda, a follower of Friedrich List.

**7. Venezuela:** German and British ships blockaded Venezuelan ports (1902-03) in order to collect unpaid debts. Argentine Foreign Minister Luis María Drago appealed to the United States to intervene on the basis of the Monroe Doctrine.



found in *Makers of Modern Strategy*, one of the text books used at the U.S. Military Academy at West Point. In the chapter on Adam Smith, Friedrich List, and Alexander Hamilton, the author attacks the institution which is the protection and fundamental guarantor of the sovereign nation-state: the armed forces. He asserts perversely that when “the guiding principle of statecraft is mercantilism or totalitarianism, the power of the state becomes an end in itself, and all considerations of national economy and individual welfare are subordinated to the single purpose of developing the potentialities of the nation to prepare for war and to wage war.” Democratic peoples, the author warns, “have a deep-rooted suspicion of coordinated military and economic power.”

What the author does *not* say is that free trade means war—sometimes literally—against the sovereign nation-state and its economy. We see countless examples of that truth today.

Many proponents of free trade insist that Ibero-America didn't develop its industrial capacity in the nineteenth century due to the allegedly “retrograde” structure it inherited from Spain. The Argentine Juan Bautista Alberdi, a firm defender of Adam Smith and author of his country's 1853 Constitution, explained in his writings that Argentina and Ibero-America could only progress economically by importing white Anglo-Saxons from the countries of northern Europe and the United States—*not* from southern Europe or the Mediterranean, whose people tended to be Catholic and had darker skin—because unlike the Spanish, the Anglo-Saxons supposedly possessed the characteristics of energy, hard work, and Protestant religion necessary to guarantee economic development.

Look at what Alberdi said in his *Bases y punto de partida para la organización política de la República Argentina*: “Put the *roto*, the *gaucho*, or *cholo*, the elementary unit of our popular masses, through all the transformations of the best educational system, and in 100 years, you still won't make of him an English worker, who works, consumes, and lives comfortably and in dignity.”

The truth is that it was Great Britain, often in alliance with France and later the United States, which sabotaged the industrial development and building of sovereign nations in Ibero-America, through the same kind of geopolitical games it used in Europe and the Middle East and which laid the basis for the Versailles system. Through the known tactics of manipulating governments or political factions, financial or military warfare, it sought to maintain the “balance of power” in the region; the result was the balkanization of Ibero-America, territorial disintegration, and the smashing of any nascent effort to reject the anti-national policies of free trade.

Here are just a few of the results of such manipulation:

- The so-called independence of Uruguay in 1828. In 1827, the British consul in Buenos Aires, Lord Ponsonby,

explained quite frankly what was behind this independence: “The British government didn't bring the Portuguese royal family to America to abandon it; and Europe will never allow only two states, Brazil and Argentina, to be the exclusive owners of the eastern coast of South America from north of Ecuador down to Cape Horn.”

- The various separatist movements that developed throughout the Rio de la Plata region during the first half of the nineteenth century, promoted by British agent and mason Giuseppe Mazzini and his friend Garibaldi.

- The War of the Triple Alliance against Paraguay (1864-70); the invasion of Mexico by France in 1863; the War of the Pacific (1879-81); and many others extending right into the twentieth century.

With this picture as background, I think we can say without exaggeration that the efforts of several military and political groupings throughout the nineteenth and twentieth centuries to achieve economic independence for their nations—with all their limitations—are nothing less than heroic. I want to mention a few examples of those efforts, since for reasons of time it's impossible to discuss all of them. In fact, I want to leave in the hands of people here the responsibility of researching the continent's real history. We have a lot of work to do on that subject.

## The War of the Triple Alliance

One of the most dramatic examples of that heroism is the case of Paraguay. That small country represents an absolute singularity in the continent's history, as an attempt to establish a sovereign state in which national interests and popular welfare had priority; it was smashed in a genocidal war orchestrated by Great Britain. First under the government of Dr. Gaspar Rodríguez de Francia (1813-40), followed by Carlos Antonio López (1840-59) and his son Francisco Solano López (1859-70), Paraguay achieved levels of economic independence and technological advance unparalleled on the rest of the continent. Dr. Francia's government not only rejected manipulations which sought to open the country up to British trade, but he organized the Armed Forces to defend the nation from Buenos Aires as well as from Brazil.

Analysts and historians shriek that Francia “closed” Paraguay, “isolated” it from international influences, or imposed autarky. In fact, Francia organized the Paraguayan market and economy in such a way that it benefitted national interests, and this was intolerable to the free traders. The state regulated all economic and commercial activities; it prohibited the export of gold and silver, which broke the cycle of dependence on the Buenos Aires banks and merchants, and did away with a negative trade balance. Francia also prohibited the contracting of foreign loans. With these and other measures, he eliminated the role of local oligarchies as the country's dominant political and economic force.

The governments of Carlos Antonio López and Francisco

Solano López deepened the process with the building of infrastructure, development of the educational system, and modernization and expansion of the Armed Forces. This caused panic in London. Carlos Antonio López used to say that “with time and foresight, the government wants to avoid the two dangers which threaten the Republic: the danger of remaining stationary in the midst of progress and advances of all kinds which make up modern societies, and the revolutionary danger which seeks to rush and disturb everything using the pretext of progress.”

In the 1840s, the López government built roads, bridges, and canals. Carlos Antonio López made the improvement of the educational system a top priority: He founded new schools, libraries, and hired foreign professors to participate in this process. Many young people were also sent abroad to study, and later returned with expertise to contribute to national development. Schools, López used to say, “are the true monuments we can build to national freedom.” Carlos Antonio López always emphasized that he was not a man of the Enlightenment, and that he was a great student of St. Augustine.

In 1845, the government inaugurated the state-run printing press. Foreign engineers, doctors, and technicians hired from England, Germany, Austria, France, and Italy, helped to build the military complex at Humaitá, together with several other projects such as the iron foundry at Ibicuy, and the Asunción arsenal and shipyard. Railroads, the telegraph, and numerous military clinics were also built, the latter with the aid of foreign physicians. Other projects included the merchant marine and Navy.

Many historians lie that it was Paraguay’s military apparatus which caused the genocidal War of the Triple Alliance in 1864. But well before that date, in 1828, the British newspaper *British Packet and Argentine News* of Buenos Aires enthusiastically promoted the idea of an invasion from that city to achieve “the liberation of Paraguay.” At that time, the British consul in Buenos Aires, Woodbine Parish, told the Foreign Office that such an invasion would serve the double purpose of guaranteeing “rich booty” and “guaranteeing an interchange between that wealthy country and the rest of the world.” In April 1830, the Brazilian consul in Paraguay, Correia de Camara, informed his secretary of state that “the only way . . . to do away with that nascent colossus [Paraguay] is through a rapid and well-coordinated invasion.”

So this is what was behind the War of the Triple Alliance, financed by British loans to Brazil, Argentina, and Uruguay, and provoked by the maneuvers of its imperial agent Brazil and allied factions in Argentina in 1864. With a rationale which reminds us of the “allied” war against Iraq in 1991, when the treaty of the Triple Alliance was signed, the three governments insisted that they were going to war against “the tyrant of Asunción,” Francisco Solano López, but “not against the Paraguayan people”; they did admit that they

wanted to redraw Paraguay’s borders and that they intended to force it to pay the cost of the war.

What was Paraguay’s situation in 1864? With a population of approximately 450,000, it had achieved a significant level of industrialization, without depending on foreign loans. *It had no foreign debt!* The country was united and, compared to its neighbors, technologically advanced. By the end of the war in 1870, half of the population had died: 100,000 men, more than three-quarters of the male population, died in combat and another 120,000 people died from wounds, starvation, and cholera. Despite the lack of resources, the population resisted until—literally—the last man, and in many cases, the last child. The country’s devastation was total: The war achieved what the “allies” were unable to achieve otherwise—destruction of the nation’s military capabilities and the imposition of “democracy” based on free trade. Brazil occupied the country militarily for five years following the war, and imposed the Constitution of 1870 which, among other things, altered the borders. From that point on, Paraguay suffered years of political anarchy.

### **The mercantilists make advances**

If we look at the second half of the nineteenth century, we see that there were many efforts in different parts of the continent to reject free trade policies and replace them with a pro-industrial, protectionist policy. This was the period in which a protectionist tendency, albeit a weakened one, still existed in the United States, prior to the assassination of President William McKinley and prior to the presidency of Teddy Roosevelt, when the alliance with Great Britain was consolidated.

In his book *El mercantilismo mexicano versus el liberalismo inglés*, Luis Vásquez has presented a detailed picture of the Mexican mercantilists, beginning with the colbertian Estevan de Antuniano in the decade of the 1830s, followed in the 1860s and 1870s by Carlos de Olaguibel y Arista who opposed the defenders of free trade known as “the purists,” *los puros*. Antuniano wrote in 1842 that “for our republic the promotion of industry is not a simple calculation, but a point of honor and independence.” He elaborated an ambitious plan to transform the Atoyac River valley into “Mexico’s industrial valley,” rejecting the idea that Mexico would be only a minerals exporter. In 1845, he presented a detailed plan to achieve industrialization, the *Plan económico político de México*, which, among other things, demanded “absolute prohibition of foreign manufactures which we could probably build ourselves easily and cheaply.” This is “the basis for Mexico’s economic reform,” he said.

Carlos de Olaguibel y Arista was not only familiar with the writings of Friedrich List; he had studied Hamilton as well as the French dirigist economists Chaptal and Dupin. Like Antuniano, he proposed a global program for Mexico’s

industrialization and passionately polemicized against free trade: "Laissez faire, the passive policy of free trade, would not be useful in the present case; an active policy is needed to lift that enormous weight which oppresses and suffocates Mexico's productive power. . . . That is why we, in view of that necessity, have proclaimed as a demand of current interests, a policy which not only encourages material values, but all the productive forces a people might possess under any circumstances."

In his book *El Proteccionismo en México*, Olaguibel emphasized that "the triumph of protectionism is very important because it will put an end to misery, and the diseases it occasions, and even with Malthus's system, which has necessarily been established among us and which in the final analysis . . . is fatal, because it prevents population growth, [which] we so urgently need, and which will have to be sustained even if it increases too much, as long as industry is protected."

What about the rest of the continent? In Colombia, Rafael Nuñez, author of the 1886 Constitution—overthrown last year by that country's narco-terrorists—reached the presidency in 1880, and again in 1884, 1886, and 1892. He launched an ambitious program of infrastructural development, pointing to Alexander Hamilton's example in the United States. The small nation of Uruguay applied its first protectionist tariff in 1875, later expanded by President Ordoñez y Batlle at the beginning of this century.

It would also be important to look at the Venezuelan case at the end of the nineteenth century, particularly the administrations of Guzmán Blanco and Cipriano Castro, which ended with the British-German blockade of 1902-03 after debt payments were suspended. Note that earlier in 1864, one year after the French invasion of Mexico, when Guzmán Blanco visited France to discuss debt problems, minister Drouyn de Lhuys threatened that unless Venezuela's books were put in order, "after Mexico, you'll be next."

### **Argentina battles the British**

The Argentine case is interesting because in spite of the enormous British influence in that country from a very early date—Britain virtually considered it another colony in the Empire—mercantilist tendencies dating back to before Independence survived, later merging with the influences of the American System of political economy. This is reflected most strongly in the group organized around Vicente Fidel López and Carlos Pellegrini during the 1880s and 1890s.

They are also seen during and after the First World War, when groups within the Armed Forces began to discuss the need to promote the industrialization and development of basic industry as crucial for *national security*. I would underline here the role of such officers as Gen. Enrique Mosconi, later the first director of the state oil company, Yacimientos Petrolíferos Fiscales (YPF), whose thinking on protection

of oil resources was known throughout the continent—in Mexico, Colombia, Bolivia, Uruguay and Brazil; and Gen. Manuel Savio, the founder of military engineering who in the 1940s built the company Fabricaciones Militares and laid the basis for creating the giant Somisa steel complex.

Reflecting a sentiment still found today in Ibero-America's armed forces, and which provokes rage among the Anglo-Americans, General Savio said in 1942 before a group of industrialists, "I feel compelled to say, without euphemism, that without the state's open protection, this and any other [industrialization] plan faces the same fate; it's no secret that the universal production of all the products I've named is controlled by powerful organizations, with sufficient means to unleash decisive crises wherever and whenever they please." Savio told the industrialists, "Either we extract this iron from our deposits . . . or we refuse to leave behind our exclusive status as an agricultural, cattle-raising nation, with all of the grave consequences that implies for the nation."

It was the nationalist Gen. Juan E. Guglielmelli who, in his fight against the free-traders of the military junta that took power in 1976, particularly Finance Minister José Martínez de Hoz, published excerpts of Carlos Pellegrini's letters and speeches against free trade, taken from the 1875 and 1876 debates on the customs law in Argentina's lower House.

List and Carey's writings profoundly influenced the group led by Vicente Fidel López. First as a congressman, then as President (1890-92), and later as a senatorial candidate in 1903, Carlos Pellegrini insisted that Argentina had to achieve its economic independence from Great Britain. "It's clear," he said in the 1876 congressional debate, "that today we are simply a pastoral people and that our only wealth is reduced to shepherding and in very small part to agriculture. Where is the nation in the world which has become great and powerful on the basis of shepherding? I think it would be very difficult to find." In the 1875 debate, he warned, "We are, and will remain so for some time unless we find a remedy, a farm to the great manufacturing nations."

Pellegrini emphasized that the protective tariff should not be used simply as a fiscal tool, as many proposed, but rather as a vehicle to achieve harmonious industrial development. He asked Argentine statesmen and businessmen to elaborate a detailed and broad plan to achieve the country's industrialization, and toward that end, in 1899 and 1900, he personally directed a survey to determine the level of industrial activity in the country at that time. "We all are, and have to be, protectionist," he said, "and the only possible disagreement is over the form and extent of that protection." It was the responsibility of Argentine capitalists to invest in their country, thus providing enough resources "to carry out the projects which national growth demands."

Pellegrini served as President for only two years (1890-92), but the measures he took during that period caused such



panic in London, that the British even considered military intervention to protect their interests. As President, he went well beyond the protectionist tariffs first applied in 1875, promoting the development of regional industries and, by 1891, achieving the reduction of British imports by 48%.

Popular ferment against British usury at that time was significant. In 1891, while public demonstrations were held in front of British banks and companies, Pellegrini closed several private banks and created the state bank, the Banco de la Nación Argentina, in order to finance national industry. To one of his collaborators, Pellegrini confided, "Today, we create a bank with national capital." He also imposed taxes on foreign banks and insurance companies, stopped giving concessions to British railroad companies, and established a system to strictly regulate their finances.

### Chile's industrializers

Almost parallel to Pellegrini's era, in neighboring Chile a grouping emerged around José Manuel Balmaceda, and linked to the Industrial Promotion Society. Balmaceda, a follower of Friedrich List, was elected President in 1886, from which post he promoted infrastructural development, education, and the creation of a national bank.

Some 30 years earlier, in the 1850s, President Manuel Montt had tried to encourage national investment in infrastructure and strengthening the state's role in the economy. But after he was overthrown at the end of that decade, unbridled free trade was imposed on the country by 1864 which, among other things, strangled the merchant marine and nascent industry.

But in 1883, the Industrial Promotion Society published its founding document, which stated that "Chile can and must be industrialized . . . it must be industrialized because it has the capacity to be so; it has important minerals in extraordinary abundance . . . and all the chemical products which industry needs for its creation and development." In February 1884, the society reported in its third bulletin that "among the illustrious individuals who make up our men of government . . . a single idea circulates, accepted without discussion, on the need to protect national industry and through that open up the great sources of wealth the country possesses."

Balmaceda's presidency was a real attempt to build and transform the nation. The list of projects his government successfully completed includes several railroad lines, including one 1,200 kilometers long; more than 1,000 kilometers of roads of all different types especially to facilitate the colonization of more remote areas of the country; and at least 300 railroad and road bridges. He created the Ministry of Industry and Public Works for the explicit purpose of protecting industry.

With the building and expansion of railroads, the number of workers also increased, and in general there was significant population growth. From 1880 to 1890, the working

population increased by more than 50%. Balmaceda modernized education, creating specialized schools in the areas of industry, mining, and agriculture. Landlords linked to the export trade constantly complained that the new jobs created by the railroads and construction of public works paid wages that were too high, taking away the cheap labor they needed for agriculture.

But Balmaceda persevered. He emphasized that "the state, in large part, can supply those elements whereby individual aptitudes must exercise their direct and benevolent action, and that is why I insist that fiscal wealth be applied to the building of lyceums and schools and all type of institutions of learning to improve Chile's intellectual capabilities; that is why I won't cease to build railroads, roads, bridges, docks, and ports to facilitate labor, encourage the weak, and increase the energy through which the country's economic vitality flows."

In July 1891, in presenting his proposal to the House of Deputies for the creation of a national bank, which unfortunately was never created due to the civil war which erupted shortly afterward, Balmaceda said that "the creation of a bank with the approval and strict vigilance of the state . . . is one of the most efficient ways to develop the country's wealth, prevent economic chaos, and through the action and effective agreement of the community, protect the economic life of all honorable industry and trade against the usury and the influence of the few."

On various occasions, he publicly expressed his intention of nationalizing the saltpeter industry, over which foreign and especially British capital had almost complete control. He so profoundly threatened the entrenched British interests in the country, that they finally organized the "Revolution of 1891" to overthrow him. As a result of that war, which cost 10,000 lives and severely damaged the national economy, British interests reasserted their domination. It was a war openly financed by British interests, through the Edwards family, one of London's primary representatives in Chile.

Enrique Matte, one of the pro-British bankers who helped overthrow Balmaceda, boasted in 1892 that "we are the owners of Chile, the owners of capital and land; what remains is a saleable and malleable mass; they don't count, neither as opinion nor prestige."

Today, the Anglo-Americans are no less explicit in their intentions of being the imperial owners of the Ibero-American continent. The problem they have, as we've already seen in the cases of Venezuela and Peru—and other cases which are now percolating will undoubtedly arise—is that, as in the nineteenth century, people get fed up with the looting, the degradation, and oppression, and at a certain point, they just say, "Enough!" Our job today is to wage the fight so that that "Enough" serves to reestablish the humanist principles which are firmly rooted in the Ibero-American people, in their tradition, and their history, and only remain to be rescued and cultivated. We have no choice but to do that.

## Shining Path arrest is a black eye for State Dept.

by Valerie Rush

Peruvian President Alberto Fujimori is using the special wartime powers he assumed last April 5 to pursue a war against Shining Path, the narco-terrorist insurgency which has kept his impoverished nation under siege for over a decade. At the same time, he is scoring those governments and international human rights organizations, and most emphatically the U.S. State Department, for having *aided and abetted* the Shining Path mass murderers for years.

The Sept. 12 capture of the allegedly untouchable Shining Path ideologue Abimael Guzmán (a.k.a. "President Gonzalo"), along with a dozen of his top henchmen, was but the opening shot of a well-planned and -executed anti-terrorist strategy, which could not only break the back of that organization while giving the Peruvian Armed Forces back their dignity and sense of mission, but may inspire other similarly besieged nations to fight for their sovereignty.

Peruvians are in a state of euphoria, as the nation's defense forces—under the personal direction of President Fujimori and a purged and upgraded intelligence service—begin to clean out the nests of terrorists, and their supporters and sympathizers, which have held the nation hostage to their psychotic violence. Lightning police and military sweeps in the so-called "red zones" of Lima, Cajamarca, Huancayo, Ayacucho, Arequipa, and Huacho have netted scores of Shining Path guerrillas, including some of their top military commanders.

Legislation is being readied to punish "terrorist apologists," such as Shining Path teachers who have infiltrated the Peruvian school system, tearing up the official curriculum and imposing their own brand of "revolutionary education." Declared President Fujimori, "There are teachers who, instead of teaching love of family, country, liberty and patriotism, are deforming the minds of children. Well, my government is going to prepare a mechanism that, for this kind of

participation in terrorism, offers severe sanctions. Naturally, some absurd voices will surface about prosecution of ideas, but we are obliged to preserve the health of our children."

President Fujimori told the press Sept. 16 that Guzmán's trial would be a case of "exemplary justice, to demonstrate that the Peruvian state is a guarantor of law, morality, order, and authority." It will begin Sept. 28, with sentencing scheduled for Oct. 7. An appeal would require a final ruling within 20 days.

The President's ability to take these and other wartime measures is made possible by the support of the Peruvian people. In the days following Guzmán's arrest, Peruvians massed in the streets of Lima and other cities to sing the national anthem. Flags hang from every window, and anyone in uniform—even traffic cops—is hugged and congratulated by citizens who suddenly realize that it is possible to defeat the cancer of narco-terrorism.

There is a widespread demand for executing Guzmán, whose murderous hordes have taken a reported 25,000 lives and caused billions of dollars in damage. Although the Peruvian Constitution sets a maximum penalty of life imprisonment without parole in times of peace, there are provisions for applying the death penalty for treason in time of *war*—a condition which certainly prevails in Peru today. In fact, President Fujimori told the press, "Speaking personally and not as President, I would naturally be in favor of the death penalty." He added, "The maximum penalty is a life term, but obviously we must listen to the people." The option of capital punishment "would have to be studied."

### On the international front

A list of Shining Path front-groups and the names of 50 of the group's "ambassadors" operating in nine countries

abroad, including in the United States, has also been published by the government, and Peru's justice and interior ministers are now in Europe to demand that these terrorists be extradited to Peru. Fujimori's international offensive is especially critical, in view of the repeated refusal of nations across Europe and the Americas to help Peru prosecute its war against narco-terrorism.

Exemplary is the case of the British government, which continues to defend Shining Path even after Guzmán's arrest. British Foreign Secretary Kenneth Clarke, in Lima at the time of the raids, told the press that Shining Path sympathizers in England would not be allowed to take "active steps" in favor of terrorism in England, but insisted that the terrorist exiles could be neither arrested *nor* deported as long as they limited their activities to expressing "opinions," however distasteful.

A British Foreign Office spokesman responsible for Peru even admitted to an inquirer that Shining Path spokesman in London Adolfo Olaechea had received "exceptional leave" several years ago to remain in London, but would not reveal the reason for the "leave."

As Fujimori declared in a nationally televised address following Guzmán's capture, "It has taken the international community 12 years to realize that we were dealing with a war criminal, with a genocidalist who could be the envy of the fascist war criminals of World War II. For 12 years, the malevolent genius of 'Comrade Gonzalo' [Guzmán] was able to sow death and destruction under the mantle of protective silence of the human rights organizations. And Peru had to count its dead, bury its dead and remain impotent. The human rights of a terrorist and genocidal band were more important than those of 22 million persons. Let the world know that this has been the cost we Peruvians have had to pay."

Fujimori's determination to wage his war on the international as well as domestic front is beginning to pay off. Sweden deported 19 Peruvian sympathizers of Shining Path in the second week of September, and has refused entrance to another 500. The German and Dutch immigration authorities have refused entry to about 40 Peruvians who fled their country after the Guzmán arrest. They have been returned to Lima.

### A 'no' to the Bush strategy

To the panic of the western "democracies," which have ostracized Peru diplomatically and financially ever since April 5, the coherence between Fujimori's courageous decision then to shut down the corrupt Peruvian congress and judiciary which had made common cause with the enemy, and his successes against Shining Path today, was never more apparent.

Indeed, Fujimori's approach is offering a sovereign alternative to the Anglo-American strategy for the Andes of humiliating and stripping down the region's armed forces, allowing the spread of narco-terrorism by encouraging government negotiations with the narco-terrorists, and then

readying U.S. rapid deployment forces for regional intervention.

The Fujimori alternative has, in fact, already inspired patriotic forces inside neighboring Colombia to demand that that country's government follow the Peruvian model. The opposition daily *El Espectador* editorialized on the Shining Path arrests Sept. 15: "What the people need is the will to impose respect for the law. That is, to govern. To govern is to rule, not make deals. To govern is to decide, not negotiate. To govern is to force [terrorists] to submit, not to submit oneself. . . . The Peruvian terrorists got just what they deserved. . . . We can't help but think that the only country in the world where the authorities are impotent against assassins of every stripe is Colombia."

It is no wonder, then, that the nervous Anglo-Americans are insisting they will accept nothing less than a "restoration of democracy," i.e., a return to the status quo of Shining Path blackmail, in Peru. In a public statement following Guzmán's arrest, U.S. State Department spokesman Richard Boucher insisted that the arrest "doesn't lessen the need for a restoration of democracy." Assistant Secretary of State for Inter-American Affairs Bernard Aronson claimed to welcome Guzmán's capture but, according to the *New York Times*, said it was "too early to tell" whether it would help restore a sense of legitimacy to the Fujimori government or help mend relations between Lima and Washington. London's *The Guardian* even warned that "Mr. Fujimori may feel strengthened by this success to persist further with dictatorship."

U.S. Rep. Robert Torricelli (D-N.J.), Fujimori's greatest foe in the U.S. Congress and the man who has promoted the Bush administration's campaign to demilitarize Ibero-America, told the *New York Times* Sept. 14: "I say this with great reservation, but this [arrest of Guzmán] represents somewhat of a vindication for Fujimori's actions." Torricelli added that it was "certainly possible" that U.S. intelligence had helped the Peruvians in Guzmán's capture.

Fujimori shot back, "There was no help of any kind, from any country or international organization. I can say this unequivocally, since there have been no advisers since April 5. Rather, we could be the ones to advise other countries in the anti-subversion fight."

Perhaps the most outrageous of all is the Venezuelan government, whose Foreign Minister Fernando Ochoa Antich told the media that the Guzmán arrest "does not confer legitimacy" on the Fujimori government. "The [April 5] action of President Fujimori is to be condemned, even though it has brought the results asked for by the population, because it violated principles. . . . Although the [Fujimori] government has had some success in the anti-guerrilla fight, it has the problem of a lack of political consensus." It's a wonder that Ochoa, said to be helping Venezuela's corrupt President Carlos Andrés Pérez ready a mercenary army to keep the population from trying to overthrow him again, could pronounce the words "political consensus" without choking.

# Serbian regular forces move to crush Bosnia

by Konstantin George

As the world watches and does nothing, Serbian forces began on Sept. 14 a "final offensive" to crush what is left of the Bosnian state, with the aim of completing this operation before winter. The offensive has the goal of crushing the last strongholds of resistance by Bosnian regular forces, in and around the capital Sarajevo and in areas of Bosnia designated by Belgrade as belonging to a "Greater Serbia." These include the following besieged towns, all under intense air and artillery bombardment: Jajce in central Bosnia; Gorazde in southeast Bosnia; Brcko, Bosanski Brod, and Gradacac in northern Bosnia; Sokolac in northwest Bosnia; and the surrounded Bihac pocket in western Bosnia. The last case, though it never makes the alarming headlines it deserves, houses some 300,000 Bosnians, including refugees, and has become like the Gaza Strip for the homeless Palestinians.

The green light for the Serbian onslaught was given by the U.N. Security Council resolutions of Sept. 11, when it was decided to send a mere 6,000 additional U.N. troops, as aid convoy escorts at best, and with no date specified. The Security Council refused to proclaim an air exclusion zone against the Serbian Air Force over Bosnian airspace. Coupled with the continued international arms embargo against Bosnia and Croatia, this signaled to Belgrade that it could do as it pleased.

Politically, the last missing element in Serbian pre-offensive preparations was a move to break the "solemn promise" of Bosnian Serbian leader Radovan Karadzic that by Sept. 12 all Serbian heavy weapons besieging Sarajevo and other Bosnian cities would be turned over to the United Nations. When Sept. 12 came, Karadzic issued a "qualifier" to his promise, saying that the Serbian forces would not use their heavy weapons "unless attacked." Technically, the Serbian besiegers of Sarajevo were being "attacked" by the Bosnian defenders of the besieged capital. What was behind this "attack"?

Some 380,000 helpless civilians are trapped in Sarajevo, without electricity or running water, and since the shameful halt to the U.N. airlift, food stocks are running low. These people will die of hunger or disease unless the siege is broken. The Bosnian attack so-called, was a "do or die" attempt to break the siege before this holocaust. The Bosnian forces came close several times in the first half of September to

achieving this near miracle, but superior Serbian firepower proved too much for Bosnian infantry, equipped only with light weapons. The Bosnian drive was halted. By Sept. 14, Serbian reinforcements were brought to the front, and the war's most dangerous Serbian offensive against Sarajevo had begun in earnest.

By Sept. 16, the Bosnian defenders of Sarajevo had been pushed back to positions they held when their offensive had started, losing the gains they had made at tremendous cost in lives. Serbian forces, in heavy fighting on Sept. 15, came close to breaking the main Bosnian defense lines around the capital. By Sept. 16 in their advances in the capital's western suburbs had come to within less than half a mile of cutting the main road from the airport to the city's center. Meanwhile, at Jajce, the Bosnian commander on Sept. 15 reported to his superiors in Sarajevo that he could not hold out much longer.

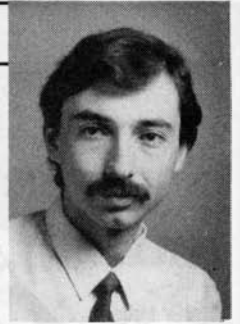
## Partisan war

It should be stressed that the policies of the Serbian leadership are not only criminal, but stupid. They may seize every Bosnian "stronghold," but all they will have achieved is the basis for a long and brutal partisan war behind their lines of conquest, in occupied Bosnia. That partisan war has already begun. The myth of "Greater Serbia" will soon be shattered by the reality of a Serbian "Vietnam" in Bosnia's mountains and canyons.

The repeating by the Serbians of the Nazi wartime policy in Yugoslavia of mass atrocities and expulsions of civilians has resulted in a growing, and ever more effective Bosnian partisan resistance movement behind the lines of the Serbian occupation forces. Partisan warfare has escalated in the mountains of eastern Bosnia, a region inhabited by Bosnian Muslims before Serbia's "ethnic cleansing" began. The military-age men of the expelled are returning to their home region. These village lads know every square inch of this "impassable" terrain, every cave, every mountain spring, every rock. They are putting this knowledge to good use.

The unreported reality of the partisan war can be perceived in the locations mentioned in the Serbian war communiqués put out by the Belgrade news agency, Tanjug, in a dispatch dated Sept. 14. Tanjug reported "heavy fighting" around besieged Gorazde, and around Visegrad, a town in eastern Bosnia, taken by the Serbians months ago, and lying well behind the "front line" in Bosnia. Visegrad is a key link in the Serbian military supply route, both to Gorazde, and to Sarajevo. The same pattern is true in northern Bosnia, in the hills above the broad Sava Plains corridor taken by the Serbians, linking Serbia with the main Serbian concentration in the western Bosnia region of Banja Luka.

The territory of Bosnia was the main bastion of the very successful partisan resistance against the Nazi occupation forces in World War II. If the international community continues to abandon Bosnia, the Bosnians will again use irregular warfare to drive out the invaders.



## 'Armenia must win the war so we can develop our economy'

*Hike Babookhanian is editor of Hanzapetakan, the weekly newspaper of the Republican Party of Armenia. He is also politically active in Armenia, holding positions as vice president of the Union of Constitutional Rights of Armenia, which he helped to found in 1990, in the wake of Armenia's independence from the Soviet Union, and as deputy of the Yerevan City Parliament and a member of the Parliament's Commission of Human Rights. He is currently a candidate for Armenian Parliament, for which elections will be held on Oct. 15. He was interviewed by Marianna Wertz in Virginia on Sept. 11.*

**EIR:** Why are you in America?

**Babookhanian:** I was invited by the Schiller Institute. My main aim is to do an interview with Lyndon LaRouche for my newspaper in Yerevan, as well as some other interviews with leaders of Armenian political organizations in the U.S.A. I want to learn about life in America because this is very important for us to know. I also want to learn the details of the LaRouche case, because in Armenia, a great part of the population cannot believe that in America there may be political prisoners, and we have written a great deal about Mr. LaRouche and his economic policy proposals in *Hanzapetakan*.

**EIR:** Does *Hanzapetakan* circulate throughout Armenia?

**Babookhanian:** Yes. We print 6,200 copies per week and, because of the difficult economic and military situation now, these go from hand to hand all over the country, with one copy being read by many people. There are 3.5 million people in Armenia.

**EIR:** How did you learn about Lyndon LaRouche?

**Babookhanian:** The first time was in 1990, when we went to the conference of the Schiller Institute in Berlin. We established good relations, and members of the Schiller Institute have since visited Yerevan three times, at the invitation of our party [Union of Constitutional Rights]. Hrant Kachatrian, a member of Parliament and president of our organization, introduced us to Mr. LaRouche's writings. Since our meetings, we have translated and printed material about Lyndon LaRouche in many issues of *Hanzapetakan*, and we have also printed excerpts from publications associated with Mr.

LaRouche, including *EIR* and *EIR Strategic Alert*.

**EIR:** Can you describe the situation in Armenia now?

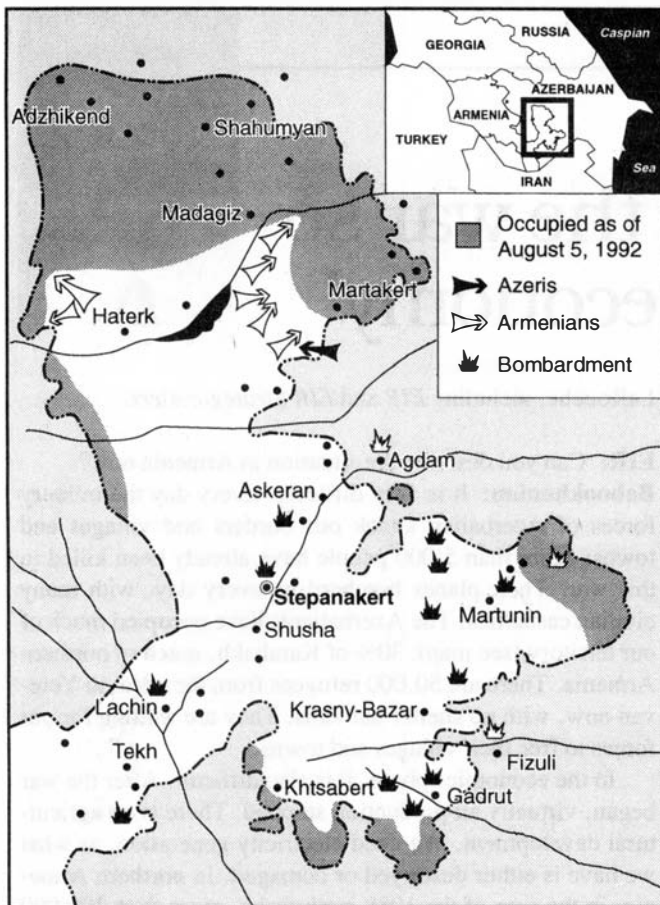
**Babookhanian:** It is very difficult. Every day the military forces of Azerbaijan attack our borders and villages and towns. More than 5,000 people have already been killed in this war. Their planes bombard us every day, with many civilian casualties. The Azerbaijanis have occupied much of our territory (see map): 30% of Karabakh, much of northern Armenia. There are 50,000 refugees from the north in Yerevan now, with no shelter but tents. They are waiting for our forces to free their villages and towns.

In the economic sphere, it is also difficult. After the war began, virtually all production stopped. There is no agricultural development. We need electricity generation, as what we have is either destroyed or damaged. In northern Armenia, in the area of the 1988 earthquake, more than 300,000 people live in boxes. It is very cold in the winter, which is coming, and there is no oil for heat. Before the earthquake [in 1988] we had a nuclear power station. But since the earthquake, the nuclear power station has been closed, because it is now dangerous. Gorbachov said it would be repaired in two years, but that hasn't happened.

Last month, the bread reserves in Yerevan ran out. People now stand in line for 10 hours to get a loaf of bread. Before the war we imported bread from Russia and Canada, but our railroad lines and roads run through Georgia, which has begun a civil war, and now all the roads are closed.

Before the war, we had very good industry, particularly chemicals and shoe making. We made the best shoes in the former Soviet Union. Also we produced autos, mined copper, molybdenum, and stone, and grew many types of fruit, grapes, and wheat. Today, in the whole border region, this is not possible, and Karabakh was a good agricultural region, producing fine wine, grapes, and wheat.

Now the International Monetary Fund [IMF] dictates to our government: You must develop only in this way. For example, an artificially high dollar exists in Armenia. Today one American dollar is equivalent to 210 Russian rubles. Many Armenians earn only 800 rubles per month, which equals \$3. But rubles are worth more, because you can buy more in rubles than dollars. To give you an idea of what this



means, 210 rubles will buy 2 kilos of meat. But you can't buy even that for one dollar. As a result of this policy, the living standard of many people has gone down.

Our party has proposed to stop the free circulation of foreign currency, but this is very difficult because the government is under strong pressure from the IMF to pay our share of the foreign debt [which must be paid in foreign currency]. Armenia must pay one part of the debt of the former Soviet Union [which all the members of the Community of Independent States must now repay]. Our government has sought to get more loans from the IMF, but the Union of Constitutional Rights has demanded we not do so.

**EIR:** Are you familiar with Mr. LaRouche's proposal for the Paris-Berlin-Vienna Productive Triangle?

**Babookhanian:** Yes. We discussed this. Unfortunately, however, none of the proposed spiral arms of the Triangle goes to Armenia. Despite this, the proposal is very good, because if Europe can be developed, a strong Europe with a productive economy, it will tend to equalize the political situation in the world today. Today there is only one major power. If Europe is developed, Europe can equal the influ-

ence of the United States.

**EIR:** What do you expect will happen now in Armenia?

**Babookhanian:** We must win this war in a short time, because if the war doesn't end soon, we cannot develop our economy, we cannot reconstruct our villages and towns, and many more people will die.

**EIR:** But the government of Azerbaijan is trying to eliminate Armenia, isn't it?

**Babookhanian:** Yes, and some other countries' governments are too. They say we want to violate the borders. We ask, which borders are you talking about? These are internal borders, not external borders.

In 1920 Armenia was an independent nation. Then the communist Russian troops occupied Armenia. Before the occupation, Armenia had different borders, including Karabakh. Armenia never agreed to Karabakh being part of Azerbaijan.

There is only one document in the whole world which states that Nagorno-Karabakh is part of Azerbaijan, and that is the Soviet Constitution, which the whole world says is anti-human, the constitution of empire, or occupiers! People who two years ago said this is a bad constitution, now say that this is the border. This border was created by the Soviets.

But the United Nations Charter and other documents of international law have a basic principle of self-determination for nations, and the Armenian population in this territory has many times asserted its right to self-determination. And yet today, international organizations and many governments pressure us, and they have forgotten these principles, including the U.S. government and other western nations.

**EIR:** Do you have any foreign support?

**Babookhanian:** No direct support. Argentina declared that the principle of self-determination for Armenia is very important, as did Venezuela. Also we have good relations with many Arab countries, such as Syria.

**EIR:** What about Russia's role?

**Babookhanian:** Russia's internal and external policy are such that they can't take a direct course: They go left or right depending on the situation. Yeltsin tried to intervene in the crisis, but it didn't work. Now Russian troops are in Armenia and Azerbaijan. Azerbaijan is occupying with the help of Russian troops, Russian tanks this year. Russia gives Azerbaijan airplanes, automobiles, tanks, and all the weapons they ask for. When Russia wants Azerbaijan to win, Russia gives them many things. When Russia wants us to win, Russia gives us things. When Russia wants to pressure us, they close our oil supply lines and trading routes.

**EIR:** You leave here for California on Sept. 12. What will you ask Armenians in California to do?





*The Armenian weekly Hanzapetakan, of which Hike Babookhanian is the editor, features coverage of the program of U.S. presidential candidate Lyndon H. LaRouche, Jr.*

**Babookhanian:** I will discuss what kind of help they can give us. We need good specialists as well as technological assistance. I will also suggest in the political sphere, that they make Armenia an issue in the presidential campaign. Bush changes his position all the time; not really, but he appears to do so. When Clinton sees Bush saying two good words on Armenia, he says three. There are 1 million Armenian-American voters. I appeal to Armenian-Americans, that they look in detail at what Bush is doing. Bush wants to pressure Armenia.

Bush's theory of the new world order is very dangerous. It is not right, when one country or one President or one government pressures other, small countries, and dictates economic and political policy.

For example, now Bush is pressuring Iraq, with his "no-fly zone." I ask, why doesn't Bush pressure Azerbaijan not to bombard *our* towns? Every day in Stepanakert they kill 20 civilians—including babies and women. And there's no similar situation in Iraq. Iraq's planes are not bombarding the civilian population every day.

**EIR:** What do you think of Mr. LaRouche's presidential campaign?

**Babookhanian:** If you run for office in Armenia, you are untouchable by Armenian authorities. We have created a new country, and this is a clear principle. When one candidate cannot freely campaign, this is very far from democracy. After Mr. Kachatrian of our party came to America earlier this year and met with an assistant to a U.S. congressman about the LaRouche case, he came back and told us that in America human rights have been destroyed.

We think that it is not right that the American population is not demanding that LaRouche be freed.

# Greece, Turkey crises may widen Balkan war

by Konstantin George

The instability in the Balkans has expanded beyond former Yugoslavia and the erstwhile communist countries of Bulgaria and Albania, to include the only relatively stable countries in the region, NATO members Greece and Turkey. Both countries are plunging into chaos through the emergence of parallel crises which threaten to topple the governments of Prime Minister Constantin Mitsotakis in Greece and Prime Minister Suleyman Demirel in Turkey.

Greece, where the state is all but financially bankrupt, has been in the throes of a series of crippling public sector strikes. Turkey, beset by economic woes, is at the brink of civil war, as the Kurdish insurrection mounts. Military coups are a real possibility in both cases. In Turkey especially, this dynamic threatens to consolidate the power of a neo-Ottoman faction which aims at restoring the empire.

As in former Yugoslavia, the disaster threatening Greece and Turkey is not simply "home grown." Turkey has been steered toward a neo-Ottoman inversion by western, primarily Anglo-American manipulation; and the upheaval in Greece is traceable to the vicious "conditionality" policies of the International Monetary Fund (IMF).

## Greece plunges toward chaos

The government of Prime Minister Mitsotakis could collapse at any time and plunge Greece into its worst social-political crisis since the mid-1960s, on the eve of the April 1967 CIA-backed military takeover. Greece is bankrupt. Twisting the knife, an IMF-imposed credit embargo was imposed after Greece failed to meet IMF conditions, and the European Community refused to extend desperately needed economic aid.

The IMF vise forced Mitsotakis into the only response allowed by IMF "rules," namely, a severe austerity packet centered on drastic cuts in public workers' pensions, and the first wave of privatizations of public services, which began this summer with the Athens bus lines. The packet was submitted to parliament for approval during September, but as of Sept. 15, the crucial vote had not been held. Since May, the country has been hit by an endless strike wave in the public sector, with no vital public service left untouched. By late August, the strike wave peaked, with two general strikes in two weeks.

The strikes have been led by the communist-dominated Confederation of Trade Unions, and supported by former

Prime Minister Andreas Papandreou and his radical-populist Pasok Party, the largest opposition party to the ruling New Democracy Party. The strikes seem like a replay of the 1965-66 strike wave, led then as well by the communists in alliance with Papandreou, which created chaos and ended in the 1967 coup.

The effect of the strikes on the greater Athens area, where 40% of Greece's 10 million people live, has been catastrophic. Downtown Athens in the first two weeks of September has been transformed into a battlefield between militant strikers and police. Vital public services, such as urban transit, bus and metro lines, banks, and post offices, have been shut down. Repeated strikes, begun without warning in power plants, have resulted in instant city-wide blackouts, and there have been crippling hospital strikes by doctors and nurses.

Mitsotakis is gambling that popular backlash against endless inconveniences will be stronger than the strike wave. His situation, however, is very weak. His party commands only a one-vote majority in parliament and is divided over supporting him. On Sept. 9, three former Mitsotakis ministers, who have seats in parliament, issued an open letter demanding that the government back off on its pension cuts, or else face defeat in parliament. Should Mitsotakis fall, early elections will be held, with the result where *no* party can form a government, or the prospect of a Pasok-Communist coalition. Either outcome will lead to a pre-coup situation.

### **Turkish coalition crisis**

The Turkish coalition government of Prime Minister Demirel could fall at any time, unleashing massive internal strife on top of the civil war in Turkish Kurdistan. The crisis is also not new for Turkey. The most recent precedent was the civil war conditions of the late 1970s which led to the Sept. 12, 1980 military takeover. This time around, however, a military coup would not be only a question of restoring internal stability. The leadership of the Turkish military and the disparate coalition of forces seeking to bring down the Demirel government, ranging from the Anap Opposition Party of President Turgut Özal, to the right-wing chauvinistic "Grey Wolf" pan-Turkic party of former Col. Alparslan Türkeş, to the "leftist" radical nationalist-populist figure, former Prime Minister Bulent Ecevit, all share a common goal of promoting a revival Ottoman Empire, complete with military adventures and operations in the Near East, the Caucasus, and the Balkans.

Demirel's government rests on a coalition which he had formed with the SHP party of Erdal İnönü, son of the late İsmet İnönü, the legendary associate of Kemal Atatürk, who founded the modern Turkish nation out of the shards of the degenerate Ottoman Empire. İsmet İnönü was, after Atatürk's death, Turkey's second President during 1938-45. There is a threatened two- or even three-way split in the SHP, which has 70 seats in parliament, that could bring down the government at any time.

The coalition crisis arose out of the failure of Prime Minister Demirel to cope with the economic upheaval and, above all, his toleration of repressive policies against the Kurdish population, which have caused an escalation in the guerrilla war. This policy brought about the first fissure within the SHP, one-third of whose deputies are Kurdish. While so far maintaining parliamentary loyalty to the coalition, because of the justified fear that any post-Demirel regime would engage in far more brutal anti-Kurdish repressions, they have repeatedly denounced government policies.

Ironically, however, Demirel is charged by some with being "too soft" toward the Kurds. Yet Demirel has never really run policy toward the Kurds. All aspects of the repression and anti-guerrilla campaign have been run by the General Staff. Its policy of indiscriminate repression has placed Demirel in an impossible situation. As the scale of warfare intensifies each week, the blame for the debacle is placed on Demirel.

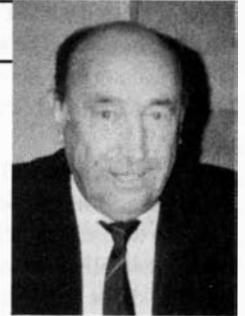
Demirel foolishly thought that by placating the General Staff, giving it free rein in the war in Kurdistan, he could escape becoming the victim of a coup. But, as events in late August and early September confirm, the nostalgic neo-Ottomans have decided to pull the plug on the present government.

This brings us to the split in the SHP, which will sooner or later topple Demirel. The SHP is one of the two successor parties to the Republican People's Party (CHP), which was banned, as were all the old parties, by the September 1980 military coup. In a move calculated to accelerate the fissuring of the SHP, President Özal legalized the old parties, clearly aware that once the CHP was re-legalized, a pole would exist to collect and galvanize into action the anti-İnönü forces within the SHP. That is exactly what transpired.

On Sept. 10, the CHP was re-founded with delegates drawn from the SHP and from the other CHP successor party, the anti-Demirel Party of the Democratic Left, led by former Prime Minister Ecevit, a rabid nationalist-populist opposition figure who has been demanding, in tandem with the military and the right-wing extremists such as Türkeş, a tougher policy against the Kurds and a stronger Turkish military profile in the Caucasus and the Balkans. This stance taken by Ecevit is not a bluff: In 1974 when Turkey, under Ecevit, invaded Cyprus, seized 40% of the island which it holds to this day, and "ethnically cleansed" the area, expelling 200,000 Greek civilians, or nearly 45% of the total Greek Cypriot population.

At the founding congress, Ecevit front-man Deniz Baykal became the chairman of the reconstituted CHP, defeating his rival and İnönü ally Erol Tuncer. According to the Turkish press of Sept. 11, Ecevit and Baykal control at least 18 of the 70 SHP deputies. On Sept. 16, 14 SHP deputies quit the coalition. Prior to this defection, the coalition had 244 seats out of 450 in the National Assembly. Now it is hanging by a thread, with only a five-seat majority.





# Russian government broke, can't pay for winter bread

by Rachel Douglas

The president of the Farmer Party of Russia describes the grain acquisition crisis in Russia this summer as the worst since 1927 and 1928. In those years, peasants in the Soviet Union refused to sell grain to the state at prices far below what they needed to function. The dictator Josef Stalin responded by starting the forced collectivization of agriculture and the slaughter of the most productive farmers, under the banner of "de-kulakization" (elimination of the *kulak*, or prosperous peasant).

In 1992, the collapse of grain procurement would feed into an unprecedented political crisis, Yuri Chernichenko warned in a late-August discussion with *EIR*.

On Aug. 25, he reported that less than 14% of the grain harvested in Russia had been sold to the state, which is still in charge of most bread production. The rest could spoil, but the Farmer Party leader said the prevailing attitude of producers was, "Let it spoil, rather than sell it at these prices." The Yeltsin government was then offering 10 rubles per kilogram of grain (10,000 rubles per metric ton). By Sept. 4, according to *Izvestia*, 5 million tons more had been delivered to the state, or 19% of what was threshed to date, but that was still less than half of the minimum total required. The average price was up to 12 rubles.

The supply of bread, the main dietary staple in Russia, has already become erratic in Moscow neighborhoods. But if the procurement price were raised to the vicinity of 20 rubles per kilogram, which is what major grain-producing areas are believed to be holding out for, it would mean bread prices of 40 or 50 rubles per kilogram. A pensioner in Russia receives only about 1,000 rubles per month, and many salaries are in the 2-4,000 ruble range. Bread prices at that level, Chernichenko predicted, would provoke "massive dissatisfaction."

Meat and dairy producers will be slaughtering more of their herds, according to Farmer Party leaders, for similar reasons. They expressed exasperation at the incompetence of the Russian government on this vital matter. Briefed on the inability of dairymen to command a breakeven price, Prime Minister Yegor Gaidar told a Farmer Party delegation that if some dairy herds were cut in half, the laws of the market would kick in, and the price would be better. This is the advice dispensed by the head of government in a country

where per capita meat consumption has dropped to less than half the normative consumption levels of a decade ago.

## 'Your main task is the harvest'

*Yuri Chernichenko, president of the Farmer Party of Russia, was interviewed by Rachel Douglas in Moscow on Aug. 25. Also participating in the conversation were Arnold Litvinov, Farmer Party deputy chairman, who is also a member of the Moscow City Council, and Viktor Kiryanov, chairman of the Farmer Party in Altai, in south-central Siberia.*

**EIR:** Tell us, please, what you have to say about prices and about Yeltsin, about the similarity of the current situation to the 1920s, and what you call the centaur.

**Chernichenko:** The centaur, according to ancient Greek mythology, was a being that united two different natures—the nature of a horse, and that of a man. The present situation recalls the centaur, because the market economy, with the hegemony it allocates to prices, is trying to sit in combination with the structures of the chairmen's or directors' corps, which was created for the precise purpose of ensuring that there be no prices, no market relationships. There was the command, the plan, and there were bread products. That was it.

We always knew for sure: *Vasha glavnaya zadacha/uborka i khlebodacha!* [Your main task is the harvest and delivery of grain!] Everything was clear. You brought it in, and you shipped it off.

And no one in the whole wide world could understand why people in the U.S.S.R. were such idiots, that between the field and elevator, they did not have their own storehouses. What kind of loonies are they? Are they brain-damaged? No, indeed. That was part of the system, according to which you cut the grain, and then instantaneously, the very same night, dispatched it to the elevator, even 70 or 80 kilometers away. And you were left without the grain. Because your obligation, your assignment, was to ship the grain off there. There wasn't any discussion about prices. The collective farm itself did not set them. That was not its business. The collective farm is a structure, within which people are absolutely indifferent to prices. They would receive a small salary in kind.

**EIR:** Please describe the situation at this moment.

**Chernichenko:** The situation now, half-way through August, is that Russia has harvested and threshed 58 million tons of grain, but has sold scarcely more than 8 million tons to the state.

The remaining 50 million tons of grain, both what the farms grow for themselves, and what they grow for sale, is lying on the farms, including farmsteads, including elite hog-raising establishments, etc. It is not being sold. There is a kind of silent struggle going on between our White House [Russian government] and people who work in agriculture.

It would be sheer raving nonsense to say that the agrarian workers are absolutely right and the White House is a miser.

**EIR:** Who is proposing what kind of prices to whom?

**Chernichenko:** So far, the situation looks like this. Picture a man who has come to a huge market, a marketplace in Paris or, say, Rome. He comes in, and he yells at the top of his lungs, "For tomatoes, no more than a thousand and a half liras!" That's what he does. And then some other crazy hollers, "Who's that madman yelling there about a thousand and a half liras?" And then there is trade back and forth: Who will buy, for how many liras, right? And then, "Meat! No higher than \$3, on the hoof!" What kind of a market is that? That is the market we have here. It is the horse who is yelling, the yelling is from the bottom half of this brand-new structure, this centaur.

So they go on yelling. And the answer is, okay, keep yelling, that's your business. But the ones who are yelling represent the interests of the budget, the interests of the socially destitute layers of the population, the interests of the Army, and so forth. This is not raving, this is simply the current situation in Russia. If it were possible to raise the purchase price for grain to between 16 and 20 rubles [per kilogram], this would lead to a monstrous rise in the prices of food products like bread—which would rise to 40 or 50 rubles per kilogram—and would also absolutely ruin our animal husbandry. Animal husbandry is unprofitable as it is, but it would become absolutely pointless. So the person who is yelling, "No more than 10 for a hundredweight," and so on is not so stupid; it's just that he doesn't have it.

The problem is that we continue to have a social situation, in which tens of millions of people living below the poverty level look to the government. They have no way to survive. All of us here earn something or other, but there are people who are simply deprived of anything.

**EIR:** You remarked that President Yeltsin recently said there would not be famine.

**Chernichenko:** The President said there would be no famine, evidently having in mind certain extreme phenomena. We haven't defined what famine means. It is the condition of Leningrad, surrounded by Hitler's forces, or 1933, when in Ukraine and Kuban millions of people died. Or the 40-day

vegetarian fast of our Orthodox at Lent; six weeks, during which it is forbidden in the Orthodox faith to eat meat, fat, milk, and so forth.

**EIR:** You said that Yeltsin has given responsibility for agriculture to Gen. Aleksandr Rutskoy, the vice president, and a special staff of 14 people?

**Chernichenko:** The staff for carrying out the most urgent agrarian measures is headed by Vice President Aleksandr Vladimirovich Rutskoy. This situation is very similar to the common folklore plot, in which a hero is ordered: "Go there, he knows not where/Get that, he knows not what/But if he come not soon, it's the gallows at noon." And he goes. You have that in all folklores of all peoples. So agriculture, due to various circumstances, was assigned to him, to Rutskoy. People came out of Moabit Prison alive; but from Soviet official agriculture, not a single leader ever escaped.

**EIR:** What about the advisers from the Chicago school?

**Chernichenko:** The Chicago boys, as they—Gaidar included—call themselves, are the group of co-thinkers who comprised this government. Now they are getting heavily diluted with other structures, a different mentality and a different concept. But the most elementary, simple, crude things—to ship food to the north, because there is snow on the ground there, or to save the potatoes there, or to bring tomatoes from the lower Volga and sell them here—require a staff of pragmatists, of realists, to deal with them.

This is normal military strategy, and how strategy is divided. You have a [19th-century German General] Moltke. *Kriegstrategie*—war strategy. This is a lofty matter. And then you have someone like [Nazi Economics Minister Hjalmar] Schacht, your pragmatist, who deals with practical questions, like how best to annihilate Russia. You have your pragmatist who wipes out 20 million people in Russia, while your theoretician is off somewhere else. Now in the case we are talking about, this division applies as follows: On the one side are the Chicago boys, and on the other, the colonels. Or whoever they are, maybe not colonels.

We of the Farmer Party had an executive committee meeting, and we polled the people on the committee: What should be done?

They replied: Support the pragmatic efforts of Rutskoy, and do not make alliances with any other party.

**Kiryanov:** About the price on grain, we made an analysis that showed that the ones raising the price are the ones who do the worst—the chairmen of loss-making collective farms. In order to somehow keep afloat today, they raise the biggest racket of anybody and raise the grain prices. The medium-sized, stronger farms today are satisfied with a price of 8-10,000 rubles [per ton], because their cost price is very low and profitability is high. But the ones who are worst off of all and are on the verge of bankruptcy from their very first steps to the market, are now demanding subsidies. In the

past, they got subsidies; today, they want to get them via the purchase prices.

**Chernichenko:** This is a political attempt to save the structure, the monopoly.

**Litvinov:** Yes, precisely a *political* attempt.

**Chernichenko:** Political salvation. This is not economics as such.

**Litvinov:** But to the extent that, in what remains of that system at various levels of power, you have ensconced the very people who earlier were in the Communist Party, we have a paradox. Or if not a paradox, then a situation you could describe this way: The top is democratic, but at the base are sitting the former party structures. And they fail to carry out the new laws, and they make the ruckus that puts a brake on all economic processes.

**Kiryanov:** The only person who could become director of a collective farm or state farm, was someone who had worked in the regional committee of the Communist Party. If he hadn't worked there, he would never become a leader. So the majority of those remaining are leaders who robbed the farmsteads, who went into administration, and who never knew how to lead anything. They carried out instructions that came from the Central Committee in Moscow.

**Litvinov:** The crux of the matter is that these are people who were trained not to think, but to carry out orders. And landing in a situation where you have to think, to find a way out, make comparisons, analyze something, they are physically incapable of doing this. And so, this political situation, where the upper levels are democratic, but below are the old structures, all these people who do not know how and do not want to think, is the most terrible. It is very difficult to change. Because all cadre questions at the lower levels are being decided by the people who decided them in the past.

**EIR:** What is the effect of the fact that the problem of the right to own land has not been solved?

**Kiryanov:** This is fundamental today. As a state farm worker, I can receive 20 hectares of land. But not my family. My wife is a teacher, my son a miller; they and the others supposedly *have* land. It's listed there on paper as part of the state farm land. But they cannot receive the land. This obstruction remains. When he was in Altai, Yeltsin said that he would remove these reservations and that everybody could receive land. But up until now, almost four months later, this question has still not been decided.

**Litvinov:** And it won't be. Something very clever was done here, which the democratic forces underestimated. A law on local self-management was adopted, on the *soviets*, which gave all power to the lower levels of authority. Remember, I said that we have "democracy" at the top and not at the bottom. And according to this law that was adopted, the top gave all the power to the bottom levels! And this law is now in effect. They are doing whatever they want—they seize land and they decide whether to give land or not.

## Bangladeshi migrants are flooding India

by Ramtanu Maitra

India's largest opposition party in the parliaments, the Bharatiya Janata Party, has recently demanded the detection and deportation of illegal Bangladeshis residing in India. Urging the government of Prime Minister Narasimha Rao to take up the issue on a war-footing, the chauvinist Hindu leaders of the BJP claimed that at least 15 million Bangladeshi Muslims have infiltrated into the border districts of the eastern and northeastern states of Assam, West Bengal, Tripura, Bihar, and Manipur, among others.

There is little doubt that the BJP, somewhat weakened politically in recent days due to its failure to make any significant headway on the religious strife at Ayodhya—their bread-and-butter issue in the 1989 and 1991 general elections—is trying to gain some political mileage exploiting the Bangladeshi influx issue. But no one could deny that a large number of Bangladeshis have crossed over into India and made it their home. The Bangladeshi government, ostensibly afraid that an admission of such infiltration would give rise to anti-Bangladesh sentiments in India and elsewhere, has denied the existence of such an influx, while admitting that border-crossing takes place due to a thriving smuggling business.

The presence of Bangladeshis is omnipresent even in Delhi, almost 900 kilometers from the Bangladeshi borders. There are innumerable slums where the Bangladeshis can be found in force and, east of the Yamuna River, the direction in which Delhi is growing by leaps and bounds, an area which is even indentified as "Bangladesh."

### An explosive situation

A recent study by journalist Sanjoy Hazarika, sponsored by the American Academy of Arts and Sciences, and Harvard and Toronto universities, has brought to light the enormity of this migration. According to the study, a little less than the present population of the entire Australian continent had migrated from East Pakistan (1947-71) and Bangladesh (1971-91) to India. Obviously, not all the migrants are illegal residents. Many, particularly in the late 1940s and 1950s, were Hindus leaving the newly formed Islamic Republic of Pakistan. Nonetheless, Hazarika's study points to some important findings which force the question: Can Bangladesh remain a viable economic and political entity, and, if not,

what can be done to ease the human misery evident by large illegal migration? Some of Hazarika's findings are:

- About 14 million East Pakistani/Bangladeshis had left home to settle in India or Pakistan.

- About 200,000 Bangladeshis are infiltrating into the bordering state of West Bengal every year.

- According to a confidential central government estimate, at least 56 state assembly constituencies along the borders have undergone a demographic change. The illegal migrants can now exercise significant electoral muscle and can decide the outcome of any election.

- Of the 22.38 million inhabitants centered in Assam, according to the 1991 nationwide demographic census, about one-third were immigrants and their descendants from East Pakistan/Bangladesh. Native Assamese are unlikely to be more than 40%. The present instability in Assam has its roots in this lop-sided infiltration.

In the 1980s, Hazarika points out, outraged by years of land-grabbing and manipulation of voters' lists, thousands of migrants and their descendants were massacred in Nelli, Lakhpathar, and Sawaul Khua Sapori. The Asom Gana Parishad (AGP) government which came to state power in Assam, ousting the traditional Congress Party in the 1980s, had the deportation of millions of illegal immigrants as its main electoral plank. Although the AGP did not succeed in meeting its promise, the campaign gave birth later to a radicalized, violent movement in Assam.

- In Delhi, there are at least 400,000 Bangladeshi illegals. This figure is almost four times greater than the government admits.

The Bangladeshi influx has also been addressed by the government officials of Manipur, a northeastern state bordering Assam and the country of Burma (Myanmar).

In Tripura, where at least 60,000 Chakma refugees of the Buddhist faith have taken shelter in protest against the Bangladeshi government for settling Muslims in the tribal areas, among other grievances, the Bangladeshi influx has been noted with alarm by local political leaders. According to the Calcutta daily *The Statesman*, the official sources point out that the incursion of Bangladeshis in 1990 has raised the state's population by 14,900. In 1989, infiltration figures showed 10,000 illegal immigrants.

## The dangers

Such large-scale migration from Bangladesh has the potential to create serious instability in the eastern and northeastern states. But Bangladeshis are leaving in such large numbers because they are finding it impossible to make a living at home any longer. The country is being steadily pauperized. The country's agriculture, which improved significantly during the 1970s and the first part of the 1980s, is now stagnating. Bangladesh has little to show in the industrial area, barring textiles and jute.

The country continues to remain almost fully dependent

on foreign aid and grants in order to import what it consumes. The inability of the governments, guided by a handful of corrupt and indifferent bureaucrats, to raise the minimal amount of resources from the country's domestic sources is a case in point.

Beside the Bangladeshi workers in the Persian Gulf and, of course, in Pakistan, the Hong Kong-based weekly *Far Eastern Economic Review* reported recently that already 200,000 Bangladeshis are working in Malaysia. In coming years, unless measures are taken, the educated and skilled Bangladeshis will leave their own country in droves, seeking a greener pasture. Such migration of qualified individuals will be spread all over the world, although it will be concentrated in the Persian Gulf and other Islamic countries.

While the educated and skilled Bangladeshis will try to find a temporary, or even permanent, legitimate home, where their skills can be translated into a decent living, such an option does not exist for the tens of millions of illiterate and unskilled Bangladeshis. For them, the only choice is to cross over to economically poor India, living in misery and causing increasing frictions. Located at the bottom of the totem pole, beside being illegal immigrants, these Bangladeshis, competing successfully for the lowliest jobs, have already started to generate enemies among the poor Indians living in border districts.

There is no question that the BJP and their ilk will exploit such conflicts to gain politically, which means increasing provocations targeted toward the Bangladeshi poor. One of the front groups of the BJP, the Akhil Bharatiya Vidyarthi Parishad (ABVP), has become extremely active in the Bangladesh-West Bengal-Bihar border districts. The ABVP alleges that the infiltration of Bangladeshi Muslims is guided by a grand design hatched in the Bangladesh capital of Dhaka. The ABVP claims that in the border districts of West Bengal and Bihar, under the leadership of a Muslim, a demand for a separate state, Purvanchal State, has been voiced. The goal of these "conspirators" is to make these border areas a part of Bangladesh, the ABVP claims.

While the ABVP's claims verge on the ludicrous, the Dhaka elites must note that talk of a "new demographic order" will only feed paranoia.

For example, the influential Dhaka-based journal *Holiday* carried an article recently by Sadiq Khan, a scion of a political family. The article, "The Question of *Lebensraum*," called for a "world demographic order" to plan and implement "population movements and settlements to avoid critical demographic pressures in pockets of high concentration." The author continued: "A natural outflow of population pressure [in Bangladesh] is very much in the cards and will not be restrainable by barbed wires or border patrol measures. The natural trend of population overflow from Bangladesh is toward sparsely populated lands of the southeast in the Arabian side and of the northeast in the Seven Sisters of the Indian subcontinent."

# Uruguay resists George Bush's 'democratic new order'

by Silvia Palacios and Lorenzo Carrasco

In Uruguay, considered for a long time the "Switzerland" of Ibero-America because of its longstanding stability, its high living standards, and its heavy dependency on international financial speculation, a group of patriots has begun to resist the designs of George Bush's "new world order," especially in its manifest intention to dismantle the Armed Forces and maintain Uruguay as a buffer state in the Anglo-American geopolitical "balance of power" in the Southern Cone. In fact, this was precisely the role assigned to Uruguay by the Scottish Rite Freemasons so predominant in 19th-century British diplomacy in the Rio de la Plata region, a diplomacy openly adopted by Washington throughout the current century.

The most relevant aspect of Uruguay's nationalist resistance was reflected in the statements of Army Commander-in-Chief Gen. Juan Rebollo who, in bidding farewell last June 11 to the battalion that would be participating in the United Nations peacekeeping force in Cambodia, said that "two great powers have parted the world, and aligned allies to defend their concepts even in the most remote confines of the planet."

But, warned Rebollo, to the disgust of the U.S. embassy in the capital of Uruguay, Montevideo, "the bipolarity, as it manifested itself yesterday, no longer exists; currents of opinion have formed around world centers of power which seek to reduce the role of Third World armed forces to functions more appropriate to a national guard, with responsibilities for such matters as drug trafficking, ecological control, and circumstantial support for the police, to the detriment of their true mission, which is maintaining the peace and defending sovereignty."

According to the Uruguayan press, Defense Minister Mariano Brito declared, during testimony before the defense committee of the Uruguayan Congress' lower house, that he "disagreed with the solution proposed by the United States" with regard to the drug trade. Further provoking the concerns of the U.S. State Department, minister Brito told the defense committee that Air Force Commander-in-Chief Carlos Pache, speaking before a meeting in Honduras of air force officials concerned with continental defense, had taken a position against the formation of a military contingent to "defend democracy" on the continent.

The latter is a direct criticism of the position taken by

U.S. Ambassador to the Organization of American States (OAS) Luigi Einaudi, following the civil-military uprising in Venezuela on Feb. 4 of this year against a corrupt "democracy" based on defending the free trade policies of the Enterprise for the Americas initiative. Einaudi at the time had insisted that an OAS military force should be deployed into Venezuela in the event of a coup there, to "defend democracy."

## Political system pilloried

Military resistance to President Bush's new world order could rapidly intersect the growing discontent against the Uruguayan political system today being expressed in the rural sector, the basis of Uruguay's real economy. Despite the fact that the agricultural sector has been traditionally sympathetic to free trade, the continued application of these "neo-liberal" policies has provoked a violent reaction by that sector against the increasing impoverishment and depopulation of the nation.

It is in this sense that the president of the powerful Rural Association of Uruguay, Carlos Enrique Gaspari, gave a speech last August at the cattlemen's exposition—in front of Uruguayan President Luis Alberto Lacalle, one of the Ibero-American standard-bearers of Bush's "democratic order"—in which he vehemently attacked the political system for its incapacity to offer solutions to the country's increasingly urgent needs. Gaspari emphasized that principal concerns include "the dysfunction of the entire political system, the lobbies and sectors' pressures against the state . . . the adaptation to the general framework of Mercosur [the free trade pact of the Southern Cone], and the opening and inter-relatedness with the rest of the world."

He specifically referred to the fact that if the policy of integration continues in the free trade mold, the crisis of the agricultural sector will worsen: "National agriculture," declared Gaspari, "has lost 32,000 producers in the past 30 years. If coordination in integrating with the regional market is not adequately carried out, that number will significantly increase."

The Uruguayan agricultural leader summed up his indignation: We are "tired of waiting for the take-off to progress; tired of impotently seeing our children leave in search of other horizons; tired of high-sounding speeches which promise brilliant futures, and then evaporate like drops of water in

the desert; tired of being postponed and ignored. We must act urgently. We issue a national call and demand of the government and of all the political and social sectors that they awaken and respond to the responsibilities of the hour.”

### The collapse of liberal democracy

The crisis in Uruguay, as in the rest of Ibero-America, is not limited to the momentary conditions and circumstances of government, but has spread to the institutional foundations of these nations, especially those derived from the liberal democratic system coming out of the French Revolution. On this theme, one lucid voice has been that of former Uruguayan President Juan María Bordaberry, also a rural businessman, who after two decades of political silence, granted a July 2 interview to the daily *El Observador Económico*, which caused such an immense impact that the entire political class pretended to ignore it in an effort to silence it. Shortly before giving the interview, Bordaberry commented on the April 5 action of Peruvian President Alberto Fujimori in shutting down that nation's Congress, with the laconic comment that “democracy does not always coincide with the Common Good.”

In the above-mentioned interview, of which we publish excerpts below, Bordaberry justifies his 1973 actions in dissolving Uruguay's Congress and attempting to put an end to the country's “partocracy” which, as in the rest of Ibero-America, serves as a key source of the moral and political corruption upon which the so-called “democracies” of the continent sustain themselves today. Bordaberry charges that liberal democracy abandoned the principles of natural law which should guide any constitutional system. “Democracy has sought to appropriate institutions which stem from natural law. And it has presented itself as if it were something natural, which it is not; it is the opposite of the natural; it is a construct of man's reason, it is a fiction fashioned by man.”

It would appear that the generalized crisis of the Ibero-American “democracies,” which are collapsing under the most outrageous corruption scandals, is proving the Uruguayan President right.

---

## Documentation

---

### Liberal democracy not synonymous with law

*The following are excerpts of the interview granted by former President of Uruguay Juan María Bordaberry to the Montevideo daily El Observador Económico, on July 2, 1992.*

**Q:** How would you evaluate the 1973 coup d'état, two decades later?

**Bordaberry:** First of all, I would like to make a few clarifications, and one of these concerns the expression *coup d'état*. This is undoubtedly a successful expression, but it is not a neutral or objective one because at the same time that it applies the label, it condemns. Therefore, I cannot accept it, because it was not the Uruguayan state which was changed by the decree of June 27, 1973, but rather the representative political institution of liberal democracy, the Congress, and with it the idea of representation through the parties as the only possible manifestation of the people's will. I also think it is wrong, and I think I should clarify this before answering your question, to suggest that when the institution of Congress falls, so too does the state of law, and that what follows is a so-called de facto regime. This attempt to confuse democracy with a state of law is historically unacceptable, because it purports to claim that before the democratic systems of the 20th century existed, there was no law. Not even Roman law. When a regime enters into a state of chaos, as happened for example in Argentina during Alfonsín's last months, no one can deny that there was democracy, but a state of law was clearly not in force. Between ourselves, not to go any further, one cannot say today that there is full exercise of certain fundamental rights of the individual, such as the right to property and security, and yet it has not occurred to anyone to say that we do not live under a democratic regime.

**Q:** But don't you think that the Congress is an essential element of the state of law?

**Bordaberry:** Not for the enforcement of law. The Congress was dissolved, but enforcement of law was maintained; what did not continue was the democratic congressional political institution.

**Q:** But can there be a state of law when one of the three essential powers, which is the legislative, is not functioning?

**Bordaberry:** You continue to confuse law with democracy, and so it is worth a further clarification. At that time, and particularly after the departure of the military regime, from '76 until '85, the idea that democracy is defined as the full exercise of individual rights was made known. This is what has been called democracy as a way of living: a situation in which people can live in peace, in order, and free of all arbitrariness. But that is not democracy, that is a natural situation in any society independent of the political system that guides it. Democracy is not that; it is a political system. And when I speak of democracy, I am referring to a political system, to parliamentarianism, to the parties, to the idea of representation, to the concept of the periodic delegation of the authority to rule, to the political form of liberal thought. Democracy has sought to appropriate institutions of natural law. And it has presented itself as if it were something natural, which it is not; it is the

opposite of the natural; it is a construct of man's reason, it is a fiction fashioned by man.

What is mistakenly called democracy as a way of life, the situation in which we all have the right to live in peace, in order, and free of arbitrariness, that is what all Uruguayans practice. I also practice it. That is what I rescued on June 27, 1973, that right to live in a society in peace and order. When I attack democracy, I attack it as a political system, not as what is mistakenly called a way of life.

**Q:** But human rights violations, for example, are extreme expressions of arbitrariness. During the de facto government, there were multiple denunciations of this.

**Bordaberry:** As with other questions you have asked, I would first like to make a clarification: I believe that one should speak of the rights of the human person, and not human rights.

This is a matter that I don't like to address, because the Uruguayan Armed Forces have been the object of a very harsh and unjust campaign on this question. . . . But you have asked the question, and I cannot avoid making some comments. André Malraux, in a small book in which he describes the horrors of the war of '14 which he saw, writes the moving phrase: "God wants victory to go to those who went to war without loving it." I can assure you that the Uruguayan Armed Forces did not go to war because they loved it, but in compliance with their duty and, above all, because they loved their fatherland which was under attack. . . . Neither did the Armed Forces choose the battlefield that the enemy chose. Surely it is a much nicer war when one can throw a bomb from an invisible airplane at 20,000 feet, than to throw it through a window into a shelter where thousands of people are burned alive. And up there, in a pressurized cabin, one doesn't smell the burning flesh nor the screams of the people. In such a case, it doesn't occur to anyone to say that there has been an aggression against the rights of the human being, but it is a war, it is horribly equal. It doesn't occur to anyone to be horrified by these tragedies that have been experienced; on the contrary, they are admired for the technological display.

**Q:** After the coup d'état in Peru, Vargas Llosa said that [Peruvian President Alberto] Fujimori was undergoing a process of "bordaberry-ization." Do you share this view?

**Bordaberry:** I think that it is a simplification—such a term would reflect great immodesty on my part. It is an attempt to unify military and civil power without the parties, around solutions of natural law.

**Q:** You have spoken of the need to rule by natural law, and not by liberal democracy. Can you explain this?

**Bordaberry:** Although the concept I am going to offer you might clash with liberal and agnostic Uruguayan thinking, it is necessary to say that behind every formulation of a political

nature, there is a prior theological definition. First, one must ask the question why man exists in the world, from whence did he come and where is he going? And how one responds to this will define the ideological framework in which the political institutions are based.

If man comes from nothing and goes to nothing, if for him everything is reduced to this passage on Earth, then he cannot be denied the right to live his life intensely and with the greatest possible freedom; it is his only opportunity. Therefore he has reason, with which to try to order his life in society during that time, his only time. From this viewpoint, democratic institutions based on liberal ideology are born. Thus, one can explain and justify that there is no authority possible, neither from God nor from any man, to affect his interior mental processes. Neither can his acts be affected, because he is also free to determine his own moral and behavior code. This should be the basis of permissiveness in democratic societies.

Of course, the inevitable fact of social coexistence defines a diffuse limit, which is that of respecting the same rights of others. This explains the democratic institutions, and their failures. Thus is born authority, which must weaken because it knows it cannot go very far; thus is founded the idea of unrestricted freedom; thus is established the neutrality of the state, which in reality is no such thing. When one says that the state is separated from the church, this is not in fact true; the state abandoned one faith and embraced another, which is nothing but the freeing of man from God, of man constructing his own God for himself, instead of God having created man.

**Q:** But, what does natural law mean in political terms?

**Bordaberry:** It would be different if we thought that man has been created by God, and is the bearer of eternal values and has received the world as an inheritance, but is not the lord of good and evil nor the autonomous arbiter of his own. Thus, he does not resort to creating a political order but to guiding himself simply by natural law. I would dare say that natural law does not constitute a political system, but rather the source of principles that should shape such a system. And by virtue of their being natural . . . these principles are eternal. Man will more or less respect them according to the times, but they are always there, ready to flourish.

**Q:** Is the Christian view compatible with an authoritarian government in which deeds of violence, including human rights violations, inevitably occur?

**Bordaberry:** It is not only compatible, but it is Christian thought itself. [Pope] Leo XIII reminds us that all human society needs an authority to guide it. To the extent that that authority is derived from arbitrariness and injustice, I have already said that that is an error. On the other hand, authority exercised righteously prevents injustice and defends against arbitrariness.

# Pentagon, IMF target Jordan, other Arab states in arrest of Shubeilat

by Joseph Brewda

On the evening of Aug. 31, corrupt elements within the Jordanian government security services and military, acting under the orders of the U.S. Pentagon and International Monetary Fund, detained and subsequently arrested Laith Shubeilat. A leader of the Islamic bloc that controls some 30% of Jordan's parliament, Shubeilat has been in the parliament since 1984 and is one of the most popular politicians in the country.

The charge against Shubeilat, for which there is no evidence, is for illegal transport and possession of weapons. Shubeilat remains in prison in Amman without bail and deprived of the benefit of counsel. The detention and arrest, which were conducted when King Hussein was out of the country, are part of a broader new assault not only against Jordan itself, but also against the Arab and Islamic world generally.

The arrest comes at a point that Washington, London, and Paris are preparing a new series of crises, conflicts, and wars in the region.

## Heating up conflicts

First of all, the Anglo-Americans are attempting to set the stage for a possible new Arabian-Iranian war. This is the purpose of their well-publicized "no fly zone" imposed on southern Iraq, which will have the intended effect of handing over southern Iraq to Iran. This would bring Iran back onto the Arabian Peninsula for the first time in centuries, and, especially given the shattering of Iraqi power, situates it to foment insurrection among Shiite minorities in Kuwait, Saudia Arabia, and Bahrain.

The Anglo-Americans also gave Iran the go-ahead to seize the United Arab Emirates' militarily strategic Persian Gulf island of Abu Musa in August. If war comes, Egyptian forces will also be engaged.

The Anglo-American powers are also attempting to provoke a Turkish-Iranian war. In early September, the Anglo-Americans encouraged Turkey to send its forces into Iran, allegedly in hot pursuit of Kurdish guerrillas. Simultaneously, the powers are manipulating the Azeri-Armenian con-

flict in such a way as to trigger a Turkish-Iranian war.

The Anglo-Americans are also encouraging Egypt to go to war with Sudan, and perhaps Libya. They are preparing for the occupation of Somalia, and encouraging conflict between Saudi Arabia and Yemen. A conflict erupting between Syria and Turkey also cannot be excluded.

## Redrawing the map of the Mideast

Writing in the fall issue of the New York Council on Foreign Relations' journal *Foreign Affairs*, Prof. Bernard Lewis, a British intelligence official detailed to the U.S. State Department, lays out the gameplan in an article entitled "Rethinking the Middle East." Gloating about the "demise of pan-Arabism and perhaps even the Arab world as a political entity" that was accomplished by the war against Iraq, Lewis intimates that the region will now be put through a decades-long process of "Lebanonization" that will eventually lead to the "emergence of a new Middle East."

Lewis was the architect of the plan to overthrow the Shah of Iran and install Ayatollah Khomeini into power as a way of fragmenting the region. He is currently involved in sponsoring a "neo-Ottoman" revival.

With the ambition to redraw the map of the region in a way unseen since the aftermath of World War I, the powers have also decided that the Hashemite Kingdom of Jordan must also be thoroughly destabilized and perhaps terminated. Old plans to declare that "Jordan is Palestine," that is, to transform Jordan into a Palestinian state, are being dusted off, as are old plans to eliminate the ailing king himself.

Yet even while the Anglo-Americans push war, they are also moving to continue to fragment the Arab world by fostering a separate Syrian-Israeli peace deal in the ongoing "peace talks" in Washington. The troubled Bush reelection campaign hopes to score this success by October. In order to clear the way for this and other deals, any opposition within Jordan must be eliminated. In this regard, the State Department's expert on Jordan, Adam Garfinkle, told *EIR* that the arrest of Shubeilat was a frameup which "suggests to me that the authorities are showing the flag" against any internal



opposition.

Through the alternating process of wars, near-wars, and separate peace deals, the Anglo-Americans hope to put the region under the control of a Turkish-Saudi-Israeli political, military, and economic alignment. The Anglo-American powers are intent on turning the Arab labor force into a slave-labor pool for this combination, as International Monetary Fund austerity conditionalities continue to grind up the population in Algeria, Egypt, Jordan, and most of the Arab world. This is another reason for the arrest, as Shubeilat has rallied Islamic forces against the IMF's "free market" policies, on religious as well as economic grounds.

### A concocted case

That the detention and arrest of Shubeilat were motivated by extralegal considerations is evident from the facts themselves.

At 10:30 p.m. on Aug. 31, Shubeilat was taken into custody by agents of the state security prosecutor general's office at his home. His home was searched, as was his parliamentary office the following day, where various files and documents were seized.

The pretext for Shubeilat's detention was the claim that two detained youths had stated under interrogation the week before that they had borrowed Shubeilat's car on one occasion, over a year earlier, to illegally transport weapons. The youths reportedly did not even claim that Shubeilat knew his car was being used for this purpose in this alleged incident. Shubeilat's attorney, Ibrahim Bakr, continues to be denied access to the youths, and continues to be denied access to his client without the presence of security court stenographers. Shubeilat continues to be denied bail, despite his status in the country, on the sole basis of this claim.

The youths, part of a group of 10, had been arrested the week earlier and charged with being members of a previously unknown, and perhaps non-existent organization called Vanguard of Islamic Youth (Shabab al Nafeer al Islami). At that time, Parliamentarian Yacoub Qarrash, who shares an office with Shubeilat, was also detained. Qarrash is accused of leading the alleged organization, which was allegedly planning to use the illegal arms against the state.

As in all such frameups, the case has been accompanied by wild claims in the press, ostensibly citing high-level, always unidentified, authorities in the government. So, for example, the Saudi paper *Al Hayah* on Sept. 3 claimed that the arrest revealed that Shubeilat had "organizational links" with Iran, and that he was "gathering intelligence" on Jordan's relationship with Iraq, to which he was allegedly opposed. During the days prior to his arrest, Shubeilat had organized an Amman demonstration protesting the "no fly zone" imposed on Iraq. On Sept. 6, the Swiss financial establishment mouthpiece *Neue Zürcher Zeitung* claimed that Shubeilat was tied to the Syrian-based Popular Front for the Liberation Palestine-General Command (PFLP-GC). Other

papers have reported rumored links to Iraq. Then, the press reported that the authorities had uncovered a secret arms cache of six Kalashnikov rifles.

### Setting up King Hussein

During Shubeilat's detention and arrest, the 57-year-old King Hussein of Jordan was in the United States having a kidney removed, during which operation cancerous tissue was also discovered. Although the state of the king's health is the subject of conflicting rumors, the operation has been already used to prepare the population for the idea that the king's 40-year-old reign will soon come to an end.

To this effect, the *Jordan Times* published a striking column by former London *Financial Times* correspondent Rami Khuri on Sept. 8, suggesting that the king had to go. "The logic of a gradual, orderly transition to the post-Hussein era is compelling," he wrote, warning that otherwise the king might end up meeting the fate of the deposed Shah of Iran, former President Jafar Numeiri of Sudan, and former President Mohammad Siad Barre of Somalia.

Simultaneous with reports of the king's illness, Washington rumor-mills began circulating internationally the report that the king had struck a secret deal with Saudi Arabia and Israel. So, on Sept. 6, the *Washington Post*, reporting on the visit to the king's hospital bed by Saudi Prince Bandar—in the first known contact between King Hussein and the Saudi monarchy since the Gulf war—reported that Jordan was "on the verge" of restoring good relations with the Saudi kingdom. The article even claimed that King Hussein supported a U.S. effort to overthrow Saddam Hussein.

Then, in a *Washington Post* column on Sept. 10, commentator Jim Hoagland claimed that King Hussein and Israeli Prime Minister Yitzhak Rabin had struck a deal based on the supposed disappearance of "Arab radicalism," that is, nationalism. Hoagland, who is an important State Department mouthpiece, claimed that King Hussein was working with Rabin against the Palestine Liberation Organization (PLO).

As far back as Feb. 5, 1991, the U.S. Pentagon's *Defense News* outlined how Jordan would be destabilized by a "fundamentalist" versus "secular" conflict following the Gulf war, which, together with other events, would enhance Israel's power in the region. It is evident that in preparing the assassination of a head of state, in this case King Hussein, the issuance of readily believed, severely discrediting reports in the international media is a prerequisite to give the appearance that the assassination is a "sociological phenomenon."

The arrest of Shubeilat, the threatened crackdown on Islamic networks, and the like, create the potential context in which the Anglo-Americans and Israelis could eliminate the king. Although the murder would probably be run by British networks within the Jordanian military, networks that date back to the days of British intelligence operative Glubb Pasha, the murder would be falsely attributed to "radicals"

and “fundamentalists.” The Israelis typically kill Arab figures, for example, in the PLO, using such techniques.

During the summer of 1990, U.S. military strategists believed to be centered at Ft. Bragg, North Carolina, had considered various scenarios for destabilizing Jordan, with the possible option of killing the king, according to reports at the time. The purpose of destabilizing Jordan, it was said, was to create a Jordanian puppet state jointly controlled by Syria and Israel, much as Syria and Israel control Lebanon today.

### What the State Department has to say

In this context, the U.S. State Department gloating over the arrest of Shubeilat is particularly revealing. Although the State Department will not comment officially on the arrest, Jordan desk officer Henry Inshar refers callers on the matter to Adam Garfinkle, the former aide to former Secretary of State Alexander Haig, who is reportedly the key American expert on Jordan. Callers are also referred to Syrian expert Daniel Pipes, the son of former Reagan-Bush National Security Council official Richard Pipes.

Garfinkle, now on sabbatical at the Dayan Center for Strategic Studies in Tel Aviv, Israel, readily admits, chuckling, that the case against Shubeilat is a frameup. “Shubeilat is the most prominent Islamic politician in the country and has been for years,” he stated. “It’s hard for me to believe that he’d be so stupid to go dealing in weapons, especially in such small numbers as they mention, and give an excuse for the authorities to pick him up.

“If the arms caches are fairly small,” he explained, “it’s planted; if it’s large, it’s not planted, because the Interior Ministry doesn’t want to put that many weapons in circulation.” Garfinkle complained that Shubeilat is “popular in Iraq.” Moreover, “he hates the United States, he hates the IMF. He thinks it’s a new form of imperialism. He despises these institutions.”

According to Garfinkle, who was in Amman last spring, and who referred the caller to several high-level Jordanian personalities whom he is in touch with, the Jordanians want peace with Israel. But his prognosis for Jordan is not good: “It is an artificial state, and could disappear as a state.” He points in particular to the disastrous economic situation there.

Daniel Pipes, a co-worker with Garfinkle at the Foreign Policy Institute in Philadelphia, says that the context for the Shubeilat arrest is the dire situation in the country. “The king’s health is precarious,” he commented recently. “The state is in jeopardy.” The fundamentalists, he went on, “are a major force displeased with the status quo.”

Robert Sandloff, of the American-Israeli Public Affairs Committee (AIPAC, Israel’s de facto Washington lobby), and a close associate of both Pipes and Garfinkle, also focuses on the economy as part of the reason for the frameup. “The IMF is one of the sacred cows there,” he said, “which is off limits to criticism.”

## Bush miscalculates, this time on China

by Mary M. Burdman

U.S. President George Bush is again demonstrating his seemingly endless capability to blunder even in the one arena, foreign policy, where he claims his wins. His campaign ploy, announced Sept. 3 in Texas, to break a 10-year agreement with China to restrict and eventually phase out U.S. arms sales to Taiwan—an agreement Bush himself had helped negotiate—and start selling F-16 fighters to Taiwan, could have effects beyond anything Washington calculates. Bush’s claim that the sale of the fighters was being done to ensure “stability” in the Pacific will hardly wash, given how Bush has fostered just the opposite in the Pacific and everywhere else.

Bush announced that he had approved the sale of 150 U.S. F-16 fighters, a deal worth some \$4 billion. But arming Taiwan is hardly the issue. Not only is Bush trying to gamble that saving some 6,000 jobs at General Dynamics in Texas will help his foundering campaign, he is also making a stab at maintaining the Anglo-American “new world order” in the Pacific. The subsequent announcement that Taiwan would buy 60 Mirage 2000-5 jet fighters from France hardly caused joy in Washington.

“As long as we are the only supplier to Taiwan, then there’s some control over things,” a Bush administration official said. “If there are no controls, then anybody will sell anything to Taiwan—the French, the Russians, anyone.” A week later, Taiwan press were reporting that the United States is pressing Taiwan to cancel its purchase of the Mirages. The *United Daily News* said that the Bush administration had warned that if the French also sold jets to Taiwan, other Asian nations would accelerate arms purchases and anger China. State Department spokesman Richard Boucher, asked in Washington about the French sale, said, “We think that the provision of the F-16s meets Taiwan’s defense needs.”

U.S. officials argue that the recent Chinese purchase of Sukhoi-27s from Russia means that the Chinese-Taiwanese military balance has been changed. But the Texas announcement did little to ensure stability. One day later, Beijing announced that it was looking forward to buying a large number of transport aircraft and helicopters equipped with the most modern technology from Russia and other members

of the Community of Independent States (CIS) to improve air defense.

### **'Washington lied'**

Beijing got also got very nasty in the diplomatic sphere. On Sept. 4, Foreign Minister Qian Qichen said that the "U.S. government should be held accountable for any serious consequences" of the F-16 sale. Vice Foreign Minister Liu Huaqiu summoned U.S. Ambassador J. Stapleton Roy to the Foreign Ministry to lodge the "strongest protest. . . . The Chinese side is shocked and outraged by this decision and will have no choice but to make a strong reaction. This will lead to a major retrogression in Chinese-U.S. relations and will inevitably cause a negative impact on Chinese-U.S. cooperation in the U.N. and other organizations."

Liu said that China would withdraw from the arms control talks of the "Permanent Five" U.N. Security Council members unless the United States reconsidered its F-16 deal with Taiwan. He told Roy that "China would find it difficult for China to stay in the meeting of the five permanent members of the Security Council on arms control measures." Liu called the deal a "flagrant sabotage" of China's efforts to seek peaceful reunification with Taiwan.

On Sept. 5, the official news agency Xinhua stated: "The Bush administration has fabricated various excuses and lies trying to justify its arms sale decision, which is seriously jeopardizing Chinese-U.S. relations."

U.S. Assistant Secretary of State William Clark, Jr. got a cold reception when he arrived in Beijing to explain things. Vice Foreign Minister Liu told Clark that China would not accept the United States' "unjustifiable explanation" of its decision, and threatened that the United States must reverse the decision to sell 150 F-16s to Taiwan, or there would be a "major setback in bilateral relations." The official *People's Daily* published a front-page statement coinciding with Clark's visit, calling the move a demonstration of U.S. "hegemonism" aimed at making Taiwan an impregnable fortress. "The goal of this action is to make Taiwan an unsinkable aircraft carrier and keep Taiwan separated from China forever," the statement said.

### **Trade war threatened**

Trade war is also threatening. Beijing said it would put punitive tariffs on \$4 billion worth of imports from the United States if Washington goes ahead with sanctions on Chinese exports to the United States on Sept. 9. A Xinhua release said that Chinese officials were already drawing up a list of goods that include aircraft and computers if Washington imposes punitive duties on Chinese exports such as silk, electronics, and other products. In August, U.S. Trade Representative Carla Hills published a 44-page list—the largest ever published—of Chinese imports which could be subjected to a doubling of tariffs if China does not significantly open its markets to U.S. goods by Oct. 10.

The amount of goods China is targeting is roughly equivalent to the amount the United States would earn from the sale of the F-16 fighters. The goods on China's list include nearly two-thirds of all the goods that China bought from the United States last year. Boeing Co. and McDonnell Douglas Corp., the leading suppliers of China's commercial aircraft, would be the hardest hit by imposition of the Chinese tariffs.

The next day, China threatened that it would stop buying U.S. wheat if the F-16 sale goes through. The announcement, published in the official Xinhua news agency, quoted an unnamed agricultural official that China had imported large quantities of U.S. wheat in recent years to improve relations with Washington, although China has "overflowing" grain supplies itself. Now, this should stop, the official demanded. China has been the largest buyer of U.S. wheat for the past several years, and has sometimes bought as much as 10% of the U.S. wheat crop for a given year.

### **China's internal battle**

Bush is also blundering around an extremely touchy internal situation in China, the only nation where he ever spent even a few months outside the United States. His great "friend forever," Deng Xiaoping, can hardly welcome this grab for votes in Texas.

Beijing is preparing for its 14th Party Congress sometime late this year. Such Communist Party congresses are held only every five years, which makes this one critical. Behind the scenes, China is still ruled by the last bastion of the "Gang of Ancients," men in their late eighties who led the communist revolution, but there is little chance any of them will still be alive for the next Party Congress. The question of how the Communist Party is going to maintain its grip on China—the only real issue in the "reformers versus hardliners" factional battles—must be fought out now.

At this moment, Bush's desperate electoral move "has stabbed in the back Deng Xiaoping, his 'old friend forever,'" wrote China analyst Jonathan Mirsky in the *London Observer* on Sept. 6. Deng has not so much "lost face" as had it "torn off in public," Mirsky wrote. "The President may have miscalculated the damage the F-16 sales will do to Deng—and there may be unpleasant surprises." The left wing of the "Gang of Ancients" blames Deng for surrendering Chinese independence to the West. Bush's betrayal corroborates their view.

The Bush administration is reportedly confident that it has convinced Beijing that Bush is a better deal for China than his Democratic opponent, Arkansas Gov. Bill Clinton. But now they should not be so confident. It will be more difficult in the future to secure Chinese concessions on human rights, trade barriers, and so forth. Worse, Beijing may block purchases of Boeing and McDonnell Douglas airliners and U.S. wheat, thus losing the United States more jobs than the 6,000 preserved (for the moment) in Texas.

# British crisis has the monarchy at bay

by Mary McCourt Burdman

All is not well with the House of Windsor, Britain's royal family. Scandals hit the family all summer, but even the antics of the Duchess of York, Sarah Ferguson, or the frozen marriage of the Prince and Princess of Wales would have counted for little more than soap opera a few years ago. But now, Britain is plunging into a crisis worse than that of the 1930s, and all institutions are being shaken by the chaos. It is no coincidence that the last great crisis of the British crown, ending in the abdication of Edward VIII, later the Duke of Windsor, happened in 1936.

Britons by the millions are losing jobs and homes. The Tory government is destroying by the day what remains of the British economy. But Britain cannot sustain this for long. The chancellor of the exchequer may go; Prime Minister John Major may go. The highest levels of the British oligarchy are not immune.

The British crown is being hit on two fronts: financial and constitutional. Both are essential to its survival as one of the most influential institutions in the world. The possibility that the marriage of the Prince and Princess of Wales could end in divorce could shake the throne. The issue is not "family values." Charles is not only heir to the throne but also will be head of the established Church of England; the days when a monarch could dispose of wives with impunity, as Henry VIII did, are long gone. It is already being proposed that Charles abdicate the throne in favor of his son, Prince William.

Just as important are the calls to disestablish the church. A majority of British Members of Parliament polled in July, before the latest round of royal scandals, said they thought that church and state should be separated, the *London Times* reported Sept. 5. This would end the Queen's most important constitutional position, as supreme governor of the Church of England. The laws of the established church are the laws of Britain, and it is the monarchy, through its prime minister, which nominates the bishops for the church. If the church were to be disestablished, "I cannot see how there would be any role left for the monarch. The two go together," stated one church lawyer.

It was the evil Lord Louis Mountbatten, the uncle of Prince Philip, who created the "modern monarchy," which cultivates its own celebrity with the British people. This was the only way, Mountbatten thought, that the monarchy could survive. But the plan is not working.

In early September, Major felt compelled to state that the monarchy is "entrenched and enduring, and valuable,"

before making his official summer visit to the Queen at her Scottish retreat in Balmoral Sept. 12-13. Major is under pressure to demand of the Queen that some of the lesser young royals be dropped from the public expenditures, and that she might even pay taxes on her private fortune.

## 'Time to call a halt'?

Things have gone so far that the *Daily Telegraph* published an editorial Sept. 12 to disclaim a commentary it had printed two weeks earlier calling for the Queen to abdicate to make way for Prince Charles. In the editorial, titled "The Monarchy at Bay: Time to Call a Halt," the *Telegraph* wrote: "The Queen, today, represents the best hope for the stability of the crown," and demanded that the tabloid press stop hounding the royals. "It would be tragic if this summer's events were allowed to result in lasting damage to the monarchy."

Politicians from the three main parties in Britain, including the Tories, are calling for urgent action to prevent the monarchy from falling even lower in public esteem. Tory MP Michael Colvin wrote to Major calling for "revolutionary changes" in the way the royal family is treated. The scandals surrounding the Queen's children have "degraded the royal family," Colvin said.

MP Michael Ancram, himself an aristocrat, called for limiting the public payments to the royals, and warned that a constitutional crisis was fast approaching. Harold Brooks-Baker, director of *Burke's Peerage*, the aristocracy's Who's Who, said that "if the royal family doesn't change many aspects of its style, it will simply disappear, like its relations did across the continent."

The House of Windsor is one of the world's wealthiest operations. As British author Philip Hall describes in his book *Royal Fortune: Tax, Money and the Monarchy*, published this year by London's Bloomsbury press, the modern monarchy only gained its wealth since the last century. It did this by looting the British Empire and hoarding the public funds expended on its upkeep. The Queen invests the "private" fortune acquired in this way, which Hall estimates at £340 million but *Fortune* magazine puts at a whopping \$11.7 billion, free of taxation. This is new: The monarchy paid all taxes until 1910, and there is no "constitutional" basis for its not paying taxes now.

Yet the royals cost Britain at least £70-80 million a year. All estates, yachts, and so forth are maintained at public expense. In addition, the Queen and most members of her extended family are paid by the British taxpayers according to a Civil List which nominally goes to cover expenses of meeting public duties. This amounts to close to £10 million a year. In 1990, a 10-year deal was reached so that the annual scandal about increasing the Civil List for the likes of Prince Edward or Princess Margaret would be avoided. The deal cannot be revoked by Parliament; in addition, Parliament has no right to scrutinize any expenditures, a situation beginning to provoke an outcry.

## Imperial myths collapsing slowly

*Australians have been nurtured on a diet of British myths, but now some truths are emerging.*

Although founded as a penal colony in 1788 and despite having had 60,000 butchered in England's war (1914-18), Australians generally believe that the common law, Westminster system, and stability of the monarchy, make up for it all. They ignore the real British heritage of the Opium Wars against China, slave trading in the Indies, forced child labor in those "satanic mills," and the destruction which British liberal political economy nurtures to this day.

Australia was "discovered" by the Dutch and the Portuguese in the 17th century, but the British were the first to land and take possession, establishing the continent as a huge penal colony in 1788.

Apart from a brief skirmish at Eureka, the colonials have been willingly subjugated for the last 200 years. The Colonial Acts Application Act (1860s), federation (1901), the Statute of Westminster (1930s), and abolition of appeals to the Privy Council (1970s) have given the appearance of independence, if not the substance.

But the "British faction" still dominates Australia. Elizabeth II, Queen of England, is also the Queen of Australia and is Australia's constitutional head of state.

A recent edition of Kerry Packer's *Bulletin* promoted the idea of "our Queen" as a "symbol of unity." The argument advanced was that Australia is "increasingly fragmenting into minority and ethnic groupings," with the monarchy being the glue that holds Australia together. The author

warned, if we no longer had a monarch, "the next logical target for violence would be each other."

Further support for the Queen has come from the *Australian Left Review*, controlled by the Aarons family of the former Communist Party. The magazine reported favorably on the Queen's reign and promoted her as a symbol of unity.

The symbols of feudal monarchy and the British system saturate Australia. The Queen's profile appears on all coins; elite private schools are modeled on English schools; immigrants and Army personnel swear an oath of allegiance to the English monarch; the royal Coat of Arms appears in courts, parliament, and most public offices. Royalty is the symbol of respect and virtue in Australia.

Recent prime time television in Australia has been awash with pro-royalist documentaries. One of these, "Elizabeth R," mentioned that the Queen of England had a direct input to Operation Desert Storm, and that the sovereign concerned herself with minute details of government, including the appointment of officials to schools in Scotland.

But where the royalty is concerned, the political landscape is slowly changing. The removal of Caroline Chisolm (about to be canonized by the Catholic Church), from the \$5 note in favor of the Queen's profile, led to something of a public outcry (although the Queen's supporters in the Reserve Bank won out).

Many formerly loyal subjects are

now arguing that the Queen has betrayed her Coronation Oath and has not defended the people. Petitions go unanswered and the monarch, with all her power, wealth, and influence, fails to give hope to a long-suffering people.

However, both major political parties are pro-British. The Australian Labor Party (ALP) is modeled directly on the philosophy of the British Fabian Society. Its most successful prime minister, Bob Hawke, is a former Rhodes Scholar. The Liberal Party is overtly pro-British. Both parties support the British East India Company economics of Adam Smith.

The British agents in Australia can be ruthless in eliminating opponents. In 1932, a state premier, Jack Lang, was sacked by the royalty appointed governor, Sir Philip Game, for opposing bank austerity measures. In 1975, the Labor prime minister was sacked by the Queen's governor general, John Kerr for, *inter alia*, turning from British finance and seeking Arab funds for development. The largest portion of foreign investment and control in Australia remains British.

The noble patriotic traditions of leaders such as O'Malley Scullin, Theodore, and Lang, people who fought the British banks, has given way to the opportunistic attitudes of the contemporary Hawke and current Prime Minister Paul Keating.

Australia, under Foreign Minister Gareth Evans, who claims the evil Sir Bertrand Russell as the greatest intellectual influence on him, has supported all initiatives of the Anglo-American "new world order." Both the Labor and Liberal parties support International Monetary Fund demands for austerity, balanced budgets, selling of state assets, the "free market," and the inadvisability of promoting national credit and infrastructure development.

### Iraq issues appeal on 'no fly' zone

*The Iraqi Arab Ba'ath Socialist Party warns that the western powers are plotting to partition the country.*

**O**n Aug. 27, the ruling Iraqi Arab Ba'ath Socialist Party external relations bureau, headed by Abdul Ghani Abdul Ghafour, issued an international statement on the ongoing Anglo-American and French threats against Iraq.

The context for the statement is the imposition by the three powers of a "no fly" zone over southern Iraq. This time, the powers did not even attempt to give the action a façade of legality by enacting some new Security Council resolution justifying the action. Showing its nature as a mere imperial instrument, U.N. Secretary General Boutros Boutros-Ghali even said that such a resolution was not necessary.

The pretext for the "no fly" zone is alleged Iraqi repression of the Shiite population in the south, a religious minority in the country overall but a majority in that region. The absurdity of the powers' claim is shown by the fact that the main problem facing the Shiites is the murderous embargo on Iraq, now entering its second year.

One purpose of the "no fly" policy is to hand over southern Iraq to Iran, just as the powers move to hand over northern Iraq to Turkey. But this is not the ultimate objective, which is to spark a new Arab-Iranian war and a Turkish-Iranian war, which such a division of Iraq would cause.

The statement follows:

"The Foreign Relations Bureau of the Regional Command of the Arab Ba'ath Socialist Party (ABSP) presents its compliments to you and wishes to draw your attention to U.S., Brit-

ish, and French threats against Iraq, and their attempts to interfere in Iraq's internal affairs through actions taken by them denying Iraq the right to fly over its southern territories.

"The involvement of Washington, London, and Paris in this conspiracy is a return to the old colonialist scheming of divide and rule, for these three circles are planning to partition Iraq on a racial and sectarian basis. In a nutshell, the objective of the U.S.A., Britain, and France is to ensure the division of Iraq into sectarian and racial entities.

"Iraq's foreign policy has long been based on the principles of equitable respect of people's rights and choices, non-interference in the internal affairs of others, and respect of sovereignty, independence, and territorial integrity of other nations. The resumption of Arab-European dialogue in Paris, in 1989, was viewed by Iraq and the Arabs as a step forward in the direction of enhancing relations between the Arab Nation and Europe, on these bases.

"Drastic and fast changes in the Soviet Union and the Socialist bloc have made the U.S.A. the dominant force over the world. France and Britain soon became subordinate to U.S. policies and schemes. The principles of independence so long cherished by Britain and France have been drastically weakened accordingly. The role of the European Community in resolving regional and international conflicts was also weakened. The war against Iraq and the failure to resolve

the Palestinian problem testify to this fact.

"The ABSP, which maintains friendly ties with European ruling parties and those in the opposition, takes this opportunity to warn against the drastic repercussions of any action leading to dismembering Iraq, for such actions can easily lead to greater instability and tensions in our region, thus negatively affecting the ties of cooperation and coordination between Europe and the Arab world.

"Objective constructive dialogues among concerned parties are the surest way to ensure the resolving of existing conflicts. Hegemony and domination should be abandoned. As such, we call upon you to exert utmost efforts to put an end to any attempt leading to intervention in Iraq's internal affairs, under any pretext or excuse. We, in Iraq, since the July, 17-30, 1968 Revolution, have been pursuing a policy that best serves the interests of the people without any kind of discrimination. Peoples' rights are fully protected and preserved. We are determined to expand our democratic experiment, utilizing all potentialities in this direction, through the new constitution, multi-party system, freedom of the press, etc., despite the prevailing of extraordinary circumstances imposed on us by external forces.

"Our people are unified under the wise leadership of H.E. President Saddam Hussein. They are determined to sacrifice their lives for their independence, sovereignty, and territorial integrity. We are determined also to foil any forthcoming plans to partition Iraq into sectarian and racial entities.

"It is indeed ironic that while Europe is witnessing efforts to ensure its unity, U.S.A., Britain, and France are working in the direction of disuniting other nations. Is this fair and justified?"

## Shining Path is on the march

*As the guerrilla group's networks expand in Mexico, the question is: Who is protecting them inside the government?*

**R**ecent events in Mexico City have shed light on a well-organized machine connected to the criminal narco-terrorist movement Shining Path, which acts not only as a propaganda and logistical support network for the Peruvian insurgency, but which is preparing to begin irregular warfare actions inside Mexico.

The nucleus of this Shining Path machine in Mexico published a leaflet on Aug. 27 supporting the Peruvian Shining Path, and condemning the military takeover by the Peruvian Army of the Canto Grande prison on May 9 of this year. That prison had been converted into a Shining Path headquarters in which the prisoners did whatever they wanted, and issued orders to their comrades outside.

Among the signers of the leaflet was the Independent Proletarian Movement (MPI), which controls the drivers' union of Route 100, the gigantic urban bus line owned by the Department of the Federal District in Mexico City. Thanks to its control of the bus line, the MPI, directed by Gabino Camacho Barrera and Ricardo Barco López, also controls some of Mexico City's poorer suburbs.

The MPI also controls Section 9 of the National Union of Education Workers (SNTE), whose director, Lilia Guzmán, signed the Shining Path leaflet, together with Section 36 of the SNTE in Mexico state. In February of this year, Shining Path held conferences to spout propaganda on its "People's War" in the auditorium of SNTE's Section 9.

Also signing were the Free Center for Theatrical and Artistic Experimen-

tation (CLETA), a counterculture group that comes out of the ranks of the old Communist Party (today integrated into the PRD party of Cuauhtémoc Cárdenas) and dedicated to recruiting radical students; the National Association of Democratic Lawyers; the National Front of Democratic Lawyers; communist artists such as José de Molina; professors from UNAM university, the Autonomous University of Puebla, the National Polytechnic Institute, and the Pedagogical University; students; the School of Popular Culture; martyrs from 1968; and ex-guerrillas such as Fausto Trejo, a psychologist and columnist for *El Día* newspaper. Another signatory was, of course, the Committee of Support for People's War in Peru, the leading Shining Path front group in Mexico.

*Resúmen Ejecutivo*, EIR's Spanish-language publication, has denounced the presence of Peruvian Shining Path supporters in Mexico City and other parts of the country, assigned to proselytizing and propaganda, and warned the Mexican government that the existence of this terrorist network could mark the beginning of a terrorist escalation in the country.

On May 9, Shining Path gave its first signal that it was ready to begin actions, leaving a hanged dog on the doorstep of the Peruvian embassy in Mexico City, an action that was discreetly published in the national press. A hanged dog is a signal Shining Path uses when it is going to assassinate someone.

The Mexican authorities have re-

fused to address the question of who issues visas to these Shining Path supporters and why they have not been expelled from the country, in a minimal act of solidarity with the Army, the government, and the people of Peru, the principal victims of Shining Path's crimes.

This terrorist network has now gone into action in earnest. On Aug. 18, the MPI served an agent provocateur role in triggering government violence against a peaceful gathering of various worker, peasant, and student organizations in the Zócalo, the main square in Mexico City. The MPI's action consisted of organizing four simultaneous demonstrations in different parts of Mexico City, to distract the anti-riot police. Columnist Carlos Ramírez of *El Financiero* observed that the four demonstrations were coordinated with professionalism, by means of radio systems, and with new irregular warfare tactics, such as the use of Route 100 buses to penetrate the circle of soldiers and to break through to the presidential residence at Los Pinos, where they were only stopped by soldiers ready and willing to fire.

The MPI did not succeed in its objective of controlling those in the Zócalo, but the result of their actions left 33 soldiers and 27 members of the MPI wounded. In the confrontation, police vehicles were burned.

A group of pensioners from the Route 100 union has charged that the MPI finances itself through the diversion of 25 billion pesos in union dues. In response to that accusation, the MPI's legal adviser Barco López admitted that among the MPI's properties are two country houses, one in Izúcar de Matamoros, Puebla, and the other in Tecpán de Galeana. It is noteworthy that both places are in the mountains, the latter in an area dominated by drug traffickers and ex-guerrillas.

# International Intelligence

---

## **Morocco's Hassan warns West on Iraq policy**

Moroccan King Hassan warned that escalation of western military pressure on Iraq was counter-productive and "risks turning this exclusion zone into an explosion zone that in the long run will be harmful to the interest of the West and the Arab world," in an interview in the Sept. 7 *International Herald Tribune*.

Although Hassan's remarks reflect the sentiment throughout the Arab world, he is the first very pro-western Arab leader to make such a public statement.

Hassan said that a continued effort to cut off links between northern and southern Iraq "will divide not only the rich from the poor but worsen a religious split between Sunnis and Shiites . . . and later we will find it very difficult to glue that mosaic back together." Hassan pointed out that such a split would threaten Turkey and Saudi Arabia and lead to chaos in the region. Hassan also said that it was important to distinguish between Saddam Hussein and the Iraqi people who, he emphasized, "should not have to pay the bill" for his misdeeds.

Meanwhile, after two days of ministerial talks, Gulf Arab states failed to persuade Egypt and Syria to endorse the no-fly zone which the United States, Britain, and France have imposed in southern Iraq, Reuters quoted Gulf diplomats as saying Sept. 11.

---

## **Civil war worsens in Tajikistan**

A declaration issued Sept. 4 by the Presidents of Russia, Kazakhstan, Kyrgyzstan, and Uzbekistan, which announced that a military force from these members of the Community of Independent States (CIS) would be sent to restore order in Tajikistan, was overturned by Russian President Boris Yeltsin on Sept. 9. Following the same Russian Security Council meeting that forced him to cancel his trip to Japan, Yeltsin issued a decree placing all CIS troops in Tajikistan, and those to arrive, under Russian authority, and specifically under the direct command of Russian Defense Minister Gen. Pavel

Grachev.

The civil war in Tajikistan, according to Russian TV reports as of Sept. 5, has claimed 2,000 killed and 100,000 refugees.

On Sept. 7, Tajikistan President Rakhman Nabiyev resigned. BBC reported that it is likely that Tajikistan will now split into various "warring regions," especially with the more pro-Islamic south being pitted against the more pro-Nabiyev north.

Yeltsin's decree mandates the Russian government to "enter into negotiations with the new leadership" in Tajikistan, referring to the combination of government and opposition forces that had just staged a coup overthrowing President Nabiyev. The Russian Defense Ministry was instructed to secure the Tajikistan-Afghanistan border, to defend all military installations in the republic, to "prevent at all costs" the theft of arms, but, reflecting the depth of the "Afghanistan syndrome" in the Russian military, "not to get involved" in any "internal conflicts," including "inter-ethnic" ones. The one partial exception to this rule is to provide safe conduct for the hundreds of thousands of Russians and ethnic Germans who are expected to flee once the civil war spreads to the main urban centers.

---

## **Legalized satanism proposed in Colombia**

Sen. Parmenio Cuellar, a member of the Liberal Party of President César Gaviria, has introduced a bill that would legalize satanic practices in Colombia, under the guise of protecting "religious freedom." The move comes as the Colombian government is renegotiating a treaty with the Vatican, and efforts are being made to eliminate obligatory religious instruction in the schools. The move is part of a continent-wide assault on traditional cultural values, as seen also in the B'nai B'rith demand in Argentina that no religious instruction be included in a new education law being discussed in the Argentine Congress.

Senator Cuellar makes the pro-satanic aim of the bill explicit, by stating in the preamble that freedom "should not be only for those who worship God, but respect is also due to those who claim to be atheists or

even those who consider satanism a valid practice." He adds that full rights should be given to "parapsychology, esoteric practices, magic, and satanism."

Cuellar admits "that human sacrifices and sexual practices are very much in vogue in satanic rites, which are constantly increasing in number," but this should not be of concern since these practices are in any case prohibited, he says.

---

## **Include eastern Europe, says President of Italy**

"Europe is a whole, including eastern Europe," stated Italian President Oscar Luigi Scalfaro in early September, announcing a theme of his meeting with Spanish King Juan Carlos. The statement is a rebuff to the Maastricht Treaty for European Union which would exclude eastern Europe.

"Europe," Scalfaro said, "is not a series of agreements. Europe is feeling the will of being part of a community. . . . In this moment [Europe] is moldy on all sides. We have all eastern Europe which is Europe. But who is facing the political and human theme of the dissolution of the greatest empire that has ever been in this Europe? If old Europe closes itself, it is not only old, it is past history. Europe is a whole, including eastern Europe."

Observers remarked that the President's statement is very similar to the position expressed by Roberto Formigoni, the leader of Communion and Liberation. During a press conference at the end of the Meeting '92 in Rimini, Italy on Aug. 28, Formigoni stressed that when the Maastricht Treaty was originally discussed there was still an "eastern Europe." But after the collapse of the Soviet empire, the integration of all of Europe must be discussed to fully include these countries.

---

## **LaRouche role in Poland comes under attack**

The role of the international political movement associated with Lyndon LaRouche, which is collaborating with the resistance in Poland to International Monetary Fund



## Briefly

policies, has recently come under attack. Polish farmers, workers, and miners have been conducting strikes against IMF austerity and threatened shutdowns of productive enterprises.

Defending the IMF, the German daily *Tageszeitung* slandered LaRouche's intervention on Sept. 8, including a repeat of the charge that his associates were investigated in 1986 for possible involvement in the assassination of Swedish Prime Minister Olof Palme—a charge recently exposed as being the work of the former East German secret police.

The paper recounted the meetings of Helga Zepp-LaRouche, the founder of the Schiller Institute, with Father Henryk Jankowski in Gdansk, that she gave a presentation at the Gdansk shipyard last autumn which was well-attended by representatives of industrial firms, and that the Schiller Institute has made inroads with the farmers' self-defense organization Samoobrona.

The paper reported that Poland's secret police has been put on the case of the Schiller Institute organizers in the country. Members of the government, the parties, and other official institutions have been warned to stay away from the LaRouche organization, it reported.

On Sept. 8, Polish national TV carried a slander against LaRouche in its prime-time program. According to viewer reports, the contents seem to be borrowed straight from NBC in the United States and Anti-Defamation League-authored slanders against LaRouche.

*Zycie Warszawy*, the second largest former communist news daily in Poland, which turned "democratic" after 1989, also carried an article against the LaRouche movement's work in the country.

### ***Vietnam demands China withdraw from territory***

Vietnam charged that China has begun drilling for oil in Vietnamese waters, and has demanded that Beijing "immediately withdraw" its vessels from the area, official Vietnamese media reported Sept. 5, according to UPI.

"In mid-August and early September,

China sent its oil-prospecting and -drilling ships on a drilling operation in an area of Vietnam's territorial waters" in the Gulf of Tonkin, state-run Radio Hanoi said. "It also banned operations of other ships within the radius of 1,000 and 1,500 meters." The closest point of the planned field of operations is only 80 miles from the Vietnamese port of Ba Lat. "The area also lies right on the internal and international sea lane between Haiphong and Quang Ninh. This contravenes the proposal put forward by China on Jan. 18, 1974 that, pending the delineation of the sea border between the two countries, the two sides shall temporarily refrain from prospecting in the area."

The radio report said that the Vietnamese Foreign Ministry sent a note to the Chinese ambassador in Hanoi "expressing its concerns over these activities on Vietnam's continental shelf" and "demanding China immediately withdraw all its deployed ships."

Chinese Vice Foreign Minister Xu Dunxin is to visit Hanoi later in September to discuss disputed borders between the two countries. Radio Hanoi said the Chinese actions "do not create favorable conditions for the forthcoming talks."

### ***Italian mafia profits from Somalia crisis***

Somalia, once an Italian colony and now a land without government or police and devastated by famine, is being used by Italian mafia-linked organizations in order to make "big money" by dumping up to 1 million tons of toxic waste which has been shipped to Somalia, director of the U.N. Environment Program Mostafa Tolba said in an interview with the Kenyan newspaper *Sunday Nation*. The situation is so bad, he said, that the Somali population is now not only at risk of dying of famine, but also of toxic waste.

Millions of dollars for these shipments from Italy to Somalia are involved, said Tolba, who did not want to give any names to the press. "Some co-workers of mine fear already for their lives. . . . These people make incredible amounts of profit, and they can kill anybody who tries to stop them."

● **THE ITALIAN** Catholic Church said Sept. 8 it will provide \$9.4 million in aid for Somalia. "The intention is to aid relief work but also to promote development projects which are being started up by local religious and non-governmental organizations," the Italian Bishops Conference said.

● **RUSSIAN PRESIDENT** Boris Yeltsin told South Korean President Roh Tae Woo, Sept. 10 that he would visit Seoul by the end of the year, Reuters reported. Seoul officials said Yeltsin promised his government would hand over newly discovered information on the 1983 downing of Korean Air Lines Flight 007.

● **TAIWAN** and Russia agreed to exchange permanent missions on Sept. 8, the *International Herald Tribune* reported. The offices will be technically private, since the countries do not have diplomatic relations, but personnel will have diplomatic privileges and be able to issue visas.

● **IRANIAN** President Hashemi Rafsanjani arrived in Beijing for a four-day visit on Sept. 9, the London *Financial Times* reported. He was accompanied by Iranian Defense Minister Akbar Torkan, who will meet with Chinese Defense Minister Qin Jiwei. China is supplying Iran with nuclear weapons technology, and both nations assert that the technology is only suitable for peaceful purposes.

● **SOUTH KOREAN** President Roh Tae Woo will visit China at the invitation of President Yang Shangkun, the BBC reported Sept. 7. Roh will visit Beijing for four days at the end of September to discuss further expansion of South Korean-Chinese trade, and North Korea.

● **CASES OF TYPHUS** have been reported in Bosnia, where more than 60 people have been killed each day since the fighting began more than five months ago, Reuters reported Sept. 12. The medical crisis center appealed to journalists to tell the world of Sarajevo's urgent need for medical supplies.

## IMF moves to seize control over United States economy

by Kathleen Klenetsky

The International Monetary Fund (IMF) has declared full-scale war on the U.S., demanding that it submit to the same "structural adjustment" and "conditionalities" policies through which it has succeeded in destroying almost the entirety of the developing sector.

In a highly unusual step, the IMF's executive board, meeting in Washington Sept. 9 to prepare for the Fund's annual conference, publicly criticized the U.S. for failing to bring the federal budget deficit under control, and demanded that it immediately enact a combination of draconian tax increases and spending cuts.

IMF Managing Director Michel Camdessus used what media outlets in Europe and the United States uniformly described as extraordinarily blunt language vis-à-vis the United States. Until now, the IMF has reserved this dictatorial treatment for Third World countries—which is precisely what the U.S. is rapidly becoming in economic terms—the Bush administration's military adventures in the Persian Gulf and elsewhere notwithstanding.

The IMF's unprecedented move culminates a years-long effort by the Fund to extend its notorious "surveillance" activities to the industrialized world. At its Interim Committee meeting in April 1985, the IMF—with the full acquiescence of James Baker (then U.S. treasury secretary, now White House chief of staff)—declared it planned to focus more on the economies of the United States and western Europe.

This has now come to pass—and unless there is concerted resistance on the part of the U.S. political leaders and population, the U.S. will soon get a taste of the living hell which the IMF has imposed on much of Africa, Ibero-America, Asia, and now eastern Europe and the former Soviet Union.

Senior IMF officials minced no words in telling the U.S. what to do. At a press briefing Sept. 11, a senior IMF official

called on the United States to institute a mix of revenue increases and spending cuts totaling between \$240 and \$300 billion. The U.S. deficit should be cut by "not less than" 4% of the Gross Domestic Product, "and possibly 5 would do well—and it should be done at an early point." Each percent of GDP cut translates into approximately \$60 billion.

The official specified the following measures to achieve these cuts:

- A carbon tax, i.e., a levy on all fossil fuels, such as oil, natural gas, gasoline, etc. This, according to the IMF, would "assure, at one and the same time, important resources for the American Treasury and a better ecological equilibrium in the U.S."

- A national sales tax (or value-added tax) of 5%, to be applied to virtually all goods and services.

- Various cuts in social spending.

The IMF official insisted that the U.S. should achieve these cuts as rapidly as possible, complaining that the U.S. had "missed the occasion at the end of the 1980s" to control its deficit. As a result, he said, "a major effort at stabilization is required and I hope it will be launched at the first opportunity."

The same official also insisted that the U.S. stop any further cuts in interest rates—despite the fact that the Bush administration wants to lower them at least once more before the national elections.

### 'Severe' recommendations

The IMF also castigated the United States in its annual report for 1992, issued in mid-September, which stresses "the importance of fully exploiting the window of opportunity immediately after the elections" this November for rapidly implementing its austerity measures.

"The severity of the IMF recommendations shows that

the patience of the community vis-à-vis the American budgetary recklessness is wearing thin," commented the Sept. 12 issue of the French national daily *Le Figaro*.

What those conditionalities would mean for Americans was laid out in detail last April by Michaele Mussa, who heads the IMF's Research Department. Mussa told a Washington press conference it was imperative the U.S. slash Social Security, Medicare, and other "entitlement" programs. "I think there is an increasing recognition of the importance of controlling the growth of spending in entitlement programs. That has not yet translated into effective budgetary action. This is the single most important area for budgetary action in the United States, to gain much better control over the growth of spending in the entitlements area."

It's hardly surprising that the IMF has zeroed in on entitlements. As the fastest-growing part of the U.S. budget, entitlements, and especially Medicare and Social Security, have become the target of choice for those economic incompetents, who, along with the IMF, insist that budget-cutting (as opposed to a high-technology-vectored industrial and agricultural growth program) is the only way to achieve solvency.

Less than a week after the IMF issued its demands, a group was formed in the U.S. to campaign for a remarkably similar program. Founded by former Democratic presidential candidate Paul Tsongas, Sen. Warren Rudman (R-N.H.) and Wall Street investment banker Peter Peterson, the Concord Coalition is calling for gasoline and other taxes, together with a concerted assault on entitlement programs. The group has an informal working relationship with on-again, off-again presidential candidate H. Ross Perot, who has recently issued an economic program along similar lines.

## **Fight is on**

Although it's frightening that the IMF obviously thinks the United States and its political elite are so weak that it can ride roughshod over U.S. sovereignty, the Fund may have overreached itself, setting the stage for an anti-IMF resistance that could quickly become a global battle for economic justice and development.

The IMF's demands drew an immediate reaction from independent presidential candidate Lyndon LaRouche, a long-time foe of the IMF, and his vice-presidential running mate, Rev. James Bevel. In a campaign statement issued Sept. 13, the two called on other U.S. candidates, especially George Bush and Bill Clinton, as well as leaders of other nations, to join them in resisting the IMF's murderous prescriptions.

The IMF's demands also met with a negative reaction from the Bush administration. Although Bush would tend to have no argument with the IMF's recommendations in general, he's smart enough to realize that raising taxes and cutting Social Security won't reelect him.

Coming just as George Bush unveiled his vaunted

"American renewal program," complete with another pledge not to increase taxes and to keep interest rates down, the IMF's actions constituted a kick in the President's teeth—and his Treasury Department, headed by the President's long-time ally Treasury Secretary Nicholas Brady responded accordingly.

"The United States realizes the importance of reducing the budget deficit, but an increase in taxes would be counterproductive and damaging both to growth and deficit reduction efforts," said a leading Treasury Department official. Another U.S. official called it "dumb" for the IMF to insist that its austerity recommendations be implemented rapidly, given the weak state of the U.S. economy.

"With its rebuff, the United States administration has, in effect, joined the anti-IMF resistance," commented the LaRouche-Bevel campaign in its Sept. 13 statement. A campaign spokesman said that if the U.S. says "no" to IMF austerity demands, then Poland, Russia and other countries would be free to say "no" as well.

## **What happens next?**

It remains to be seen whether the Bush administration continues to reject the IMF's recommendations. Bush himself has shown no qualms about cutting entitlements or raising taxes; his only consideration appears to be political. He and Bill Clinton are both firm supporters of the IMF, evidenced most recently in their support for a multibillion-dollar increase in the U.S. contribution to the Fund.

Clinton has already vowed all-out war on health care costs—a euphemism for gouging health care spending—as well as "an end to welfare as we know it," policies completely congruent with the IMF. Furthermore, rumors are circulating that he may pick Paul Volcker as his Treasury Secretary. During his tenure as Fed chairman under Carter and Reagan, Volcker, a proponent of IMF austerity, personally destroyed the U.S. industrial and agricultural base with his 21% interest rates; he currently sits on the board of the Bretton Woods Committee, an organization established specifically to lobby the U.S. Congress and people on behalf of the IMF.

Clinton's campaign has refused to respond to repeated phone calls from LaRouche associates, asking for his position on the IMF's diktat. And Jim Ciccone, senior issues adviser to the Bush-Quayle campaign, said the campaign would have no comment on the issue.

However, there is a strong possibility that, by going public with its dictates, the IMF may have fueled opposition to the \$12 billion quota increase it has asked the U.S. to cough up. According to a source close to the IMF, Sen. Robert Byrd (D-W. Va.), chairman of the Senate Appropriations Committee, is dead set against allowing the quota increase through and is really "screwing up" the IMF's blueprint. Blocking the quota increase would be an important initial victory in the battle against IMF genocide—and against its plans for the United States.

# Remembering Allen Salisbury, a fighter for the truth

W. Allen Salisbury, a leader of the International Caucus of Labor Committees (ICLC) and the LaRouche movement for 20 years, died of colon cancer on Sept. 14, 1992. Although only 43 years old at his passing, Salisbury had made lasting contributions to reviving the crucial ideas which are needed to take mankind out of the current Dark Age, and into a new renaissance of human civilization.

Readers of *EIR* in the 1990s may not be immediately familiar with Salisbury and his work. His most recent article in *EIR* was published in April 1990, under the title "If the South Had Won, We'd All Be Slaves." That article served as an introduction to a reprint of Abraham Lincoln's favorite stump speech, entitled "On Discoveries and Inventions," which Salisbury had unearthed during his ground-breaking work during the late 1970s on the real story of the U.S. Civil War.

Salisbury's book, *The American System and the Civil War—America's Battle with Britain, 1860-76*, was published in 1978. Undertaken as a polemical attack against the fraud of Alex Haley's *Roots*, as well as a scholarly treatment of the American System economic policies of the political current which produced Abraham Lincoln, the book launched a devastating attack on free trade and British liberalism. It included extensive quotes from virtually unknown American economists of the 19th century, most prominently Lincoln's economist Henry Carey, which are essential to understanding the real nature of today's battle between oligarchism and republicanism.

Salisbury's work on the 19th-century American System economists provided a solid foundation for the vast amount of historical work on economics which the Labor Committees, and publications like *EIR*, have produced in the subsequent 15 years. It became an integral and vital part of LaRouche's own personal campaign for reviving American System economic policy, not only within the United States, but in the rest of the world.

## Using television to educate

To get a vivid understanding of the quality of Salisbury's contribution to the LaRouche movement, the reader can reflect on his major work in the 1980s—the series of half-hour television advertisements put out by the LaRouche presidential campaigns. Working intimately with LaRouche himself, Salisbury was the producer of the shows which both educated

and shook up the electorate.

To these "commercials," Salisbury brought a deep sense of irony and humor, and the ability to give the viewer a vivid, unforgettable set of images to convey the current world situation. The Soviet communist *nomenklatura* will likely never forgive him for his 1984 show on their drive for nuclear superiority; nor will Soviet agent-of-influence Walter Mondale. Henry Kissinger, the chief target of LaRouche's 1984 presidential campaign broadcasts, will likely remember Salisbury unkindly as well, for the treatment the shows gave to him.

The television show which Salisbury, and LaRouche, were most happy with, however, was produced in the spring of 1988. It was entitled "The Woman on Mars," and it addressed the issue of providing a mission for the people of the United States, the mission of colonizing space, especially the planet Mars. The fact that this show was truly a work of art, immediately reflected itself in an outpouring of support from young people who had watched it, young people who had been moved precisely in the way which Salisbury and LaRouche had known they would be.

Salisbury was very happy after this television show, and he went on to produce a couple more that fall, including the historic October 1988 show in which LaRouche projected the collapse of the Soviet Union through its economic collapse, and called for the reunification of the Germans in conjunction with a western policy of "food for peace." By the time the 1992 series of shows was produced, however, Salisbury was too sick to lead the effort. He learned in April 1991 that he had been stricken by cancer, and plunged immediately into an effort to conquer it.

## Uplifting people through laughter. . .

Before describing Allen Salisbury's fight for life, it is appropriate to give some sense of where this extraordinary person came from. He was born in Lothian, Maryland. His family testifies to his early development of an infectious laugh, which he retained to the end of his life. They also testify to the fact that he was a fighter, who refused to tolerate degradation of himself, or others.

Salisbury was the first black person to become senior class president in his high school. He went on to become politically active, both in the civil rights and anti-war movements. At the same time, he worked in the advertising busi-

ness, starting in late 1967.

As a creative writer for the Young & Rubicam firm, Salisbury was responsible for many popular commercials, including Eastern's "The wings of man."

In the early 1970s, Salisbury began to work with the LaRouche movement in New York City, and eventually took up major responsibility for the work among ghetto youths, which was organized under the rubric of the Revolutionary Youth Movement (RYM). While this work required considerable capability at self-defense—a skill which Salisbury had acquired to a notable extent—the most important qualification was intellectual guts. Salisbury followed LaRouche's advice: Use your mind the way a boxer uses his fists.

Salisbury's approach to the ghetto youths the LaRouche movement was trying to organize in the early 1970s was described by him in a deposition he gave in 1985, pursuant to a suit taken by LaRouche and several associates against FBI harassment of their work. One part of the deposition went as follows:

**Q:** What was the purpose of RYM?

**Salisbury:** Well, the purpose of it was to try and prevent these kids from killing—you know, shooting each other, killing each other, and to try to teach them. That was the purpose of the movement.

**Q:** How did you try to teach them?

**A:** What I would do is I would give them classes on economics. That's what I would do. I would give them classes on economics, philosophy, and it worked to an astonishing degree—well, a lot of instances. I would go after the dope thing, which is horrendous, absolutely horrendous in the ghettos, and so forth, and that's what I would do.

**Q:** How did you think that classes in economics were going to stop gang warfare?

**A:** That circumstance that they grew up in was much different than the circumstances I grew up in. When a kid grows up—kids five, four years old—every kid can think, regardless of what his circumstances are, and somewhere along the line the guy doesn't see any hope. He forgets how to think. He wants to get involved in turf, and everything else. By reminding an individual that he has the ability to think, to learn, and that that's truly who he is, sometimes can have an enormous impact on a person.

Salisbury became a member of the ICLC executive in the mid-1970s. Later he was a president of the National Anti-Drug Coalition.

### . . . and poetry

Salisbury's commitment to arousing that ability to think, in people who otherwise seemed determined not to do so, was also reflected in his other major intellectual contribu-



*Allen Salisbury's good humor and infectious laughter permeated his life's work, and uplifted all who knew him.*

tion—the resurrection of the work of Edgar Allan Poe. Poe, Salisbury discovered, was not just a writer of strange stories and beautiful poems, as many American children know, much less a drug addict, but he was also an epistemological warrior for the American System of republican thinking and government against the British.

Poe's anti-Aristotelian method of thinking was the focus of Salisbury's work on the 19th-century poet. In his 1981 article on Poe, Salisbury brought out the poet's hilarious attacks on anti-human epistemology, the Baconian inductive method of "creeping," and the Aristotelian deductive method of "crawling." Salisbury was also one of the few individuals whom LaRouche collaborated with in attempting to revive the ability to recite poetry.

### The fight against cancer

Allen Salisbury's last major battle was his battle to conquer his cancer. In concert with his wife of 10 years, Pat, he determined to make every effort to defeat the disease. Indeed, his will to live defied all professional predictions, which had given him three months to live.

The loving fight which the two made inspired everyone around them, from friends and colleagues, to the medical professionals who have been increasingly brainwashed into submitting to the culture of death. Appropriately, to his life and his death, his last words were: "Keep fighting."

# 'New civil rights movement' targets the death penalty

by Anita Gallagher

A "new civil rights movement," called into existence by the independent presidential campaign of Lyndon H. LaRouche, Jr. and civil rights movement strategist Rev. James L. Bevel, has given new impetus to ending the death penalty in the United States.

This mobilization could hardly be more urgent. On Oct. 7, the U.S. Supreme Court will hear the case of Leonel T. Herrera, to decide whether it is legal to execute a man who has been convicted of murder but is innocent. Indications are that the Supreme Court will decide in the affirmative.

The U.S. Senate was tried and found wanting, in approving George Bush's nomination of Edward Carnes, called "Mr. Death Penalty," to be a judge of the 11th Circuit Court of Appeals, by a 66-30 vote on Sept. 9. Virginia Attorney General "Bloody Mary" Sue Terry is campaigning for governor of the state by executing one person a month, since her May execution of Roger Keith Coleman, a man with strong proofs of innocence which were never argued in federal courts for procedural reasons. No fewer than four ballot initiatives are now in the works to reinstitute a death penalty in the District of Columbia, which repealed capital punishment in 1981.

President Bush is an ardent supporter of the death penalty and wants to apply it to 50 new crimes. Gov. Bill Clinton boasts that while Bush says he supports the death penalty, "I'm the only one who has implemented it." And so-called anti-establishment candidate Ross Perot supports it, along with higher taxes and austerity. In sum, as Reverend Bevel said, Bush is for the Nazi gas chamber method, Perot for the electric chair, and "liberal" Bill Clinton favors lethal injection. That's the political landscape, minus the LaRouche-Bevel campaign.

## Rally against death

On Sept. 15, independent vice-presidential candidate Rev. James Bevel led a rally in Richmond, the former capital of the Confederacy, to commemorate the Ku Klux Klan's murder of four black children in the 16th Street Baptist Church in Birmingham, Alabama on that date in 1963. "The same Klan spirit is behind the execution of Willie Leroy Jones" today in Virginia, said Reverend Bevel, who led near-

ly 100 people in a marching song: "If you're gonna kill the people, put on your hood and robe." Gov. L. Douglas Wilder, the nation's only black governor, has killed more people this year than the Klan, Reverend Bevel stated, noting that without the victory in the right-to-vote campaign, which Bevel led as Dr. Martin Luther King's Direct Action Coordinator in the Southern Christian Leadership Conference, "Wilder would not be governor today."

The rally included representatives from the Nation of Islam in Richmond and Washington, D.C.; students from Howard University, Virginia Union University, and Virginia Commonwealth University; the NAACP; the Virginia Coalition on Jails and Prisons; civil rights attorney Sa'ad el-Amin; people drawn from leafleting of Richmond's churches the previous Sunday; and LaRouche-Bevel supporters.

After the rally, a strategy session led by Reverend Bevel planned a march which would mobilize forces, starting from Richmond after church services on Sept. 27, and would arrive at the U.S. Supreme Court in Washington, D.C. by Oct. 7, the date on which the Herrera case will be argued.

Lyndon LaRouche, in a statement issued Sept. 1, entitled "Why I Demand an End to the Death Penalty Throughout the United States," said: "Every human being is in the living image of God by virtue of that divine spark of reason which sets man apart from and above all lower forms of life. When we execute a person, no matter how hideous the crime they may have committed (if indeed they did commit it), we are forgoing the possibility of the redemption of that soul, and we must never deny, in a Christian civilization in particular, the possibility of redemption."

Reverend Bevel told the planning meeting in Richmond: "I don't believe in protest. Americans have been given the authority to *be* the government. Therefore, we must outlaw that which is unlawful." Our Declaration of Independence, said Bevel, represents the first group of men who acted to create government on the basis of Christ's understanding of man. It says that life is an inalienable *right*—a *right*, and not a privilege. We must not allow life to be defined as a privilege. Whatever law (and there is none) allows government to kill, also allows the people to kill. Thus, instead of executions deterring crime, they catalyze it.

## The Herrera case: a turning point

In his petition for a hearing to the U.S. Supreme Court, Herrera's attorney states: "The [5th Circuit] Court of Appeals accepted as a matter of fact that Petitioner Leonel T. Herrera is indeed innocent of the crimes for which he is scheduled to be executed, and so no evidentiary hearing was necessary to prove his innocence. The Court accepted as a matter of fact that Petitioner could prove his innocence. The Court of Appeals then held that executing a person whom everyone, including the Courts, knows to be innocent did not run afoul of the Constitution." Herrera's attorney, Mark Olive, remarks in the brief, "While there has been much debate of late about capital punishment and *habeas corpus* [the right to post-conviction appeals], there is not yet a groundswell for executing innocent persons."

Herrera was convicted of murdering two policemen near Brownsville, Texas in 1982. In fact, the evidence suggests that police involvement in the drug trade in the Rio Grande valley along the Mexican border led to the shooting of the two officers, and that police knew of the innocence of Herrera, but kept silent rather than disclose police-shared responsibility for the murders. After Herrera's conviction, Raul Herrera, his brother, confessed that he was the killer; this was confirmed by Raul's son, who was an eyewitness. Because Texas allows new evidence of innocence to be admitted only up to 30 days after conviction, the 5th Circuit Court of Appeals refused to overturn the conviction.

The U.S. Supreme Court mustered four votes, which is the minimum necessary for accepting a case for review. Only four justices, and not the five required, voted for a stay of Herrera's execution while the case was heard. Although the Texas Court of Criminal Appeals acted to stop Herrera's execution until the case was heard, the Supreme Court's refusal to stay it is seen as a sign that the court will rule that executing an innocent man does not represent "cruel and unusual punishment."

## Senate approves 'Mr. Death Penalty'

On Sept. 9, the U.S. Senate approved Edward Carnes, a man who has fought to execute the poor and minorities, to be a judge on the 11th Circuit Court of Appeals, covering Alabama, Florida, and Georgia. Carnes replaces the retiring Frank Johnson, a civil rights hero who cast the deciding vote to desegregate buses in Montgomery in 1956.

Carnes wrote Alabama's death penalty law, which is one of a handful in the country which give judges the power to impose the death penalty if a jury declines to do so. Carnes fought to preserve capital convictions in more than 20 cases in which all blacks had been struck from the jury pool. His Senate defenders, such as Howell Heflin, Richard Shelby, and other Confederates, tried to obfuscate the issue by trotting out self-serving statements that Carnes had made denouncing such all-white juries—while using them to the hilt. The 41-year-old Carnes has spent virtually his entire profes-

sional life trying to execute the poor and minorities.

Carnes was greatly helped in his confirmation, which every civil rights organization opposed, by Anti-Defamation League collaborator Morris Dees, the founder of the Montgomery, Alabama Southern Poverty Law Center. Dees has worked closely with the ADL, the Department of Justice, and the FBI in prosecuting the Ku Klux Klan—which is virtually run by the ADL, DOJ, and FBI.

## Capital punishment in the nation's capital?

Only six weeks before the general election, no fewer than four separate initiatives are in the works to re-impose the death penalty in Washington, D.C. The City Council unanimously repealed the death penalty in 1981, not having used it since 1957. The House-Senate Committee on D.C. Appropriations is currently meeting on the 1993 appropriations bill, which includes, at the insistence of Sen. Richard Shelby (D-Ala.), that Washington, D.C. put an initiative on the ballot in November to reinstitute the death penalty.

Republican National Committeeman Harry Singleton has so far introduced three separate initiatives to make the death penalty law in the District, where over 60% of the population is black and where living conditions approach Third World levels. Singleton is now appealing a May D.C. Board of Elections ruling that the language of his first initiative was defective. A second initiative, filed in August by Singleton, has been challenged by the American Civil Liberties Union and former D.C. City Council President Dave Clark. A Board of Elections hearing on yet a third Singleton version is set for Sept. 29. Sources say that Singleton hopes to collect the 15,000 signatures required for ballot status from registered voters on election day, and thus have the initiative ready for the next election.

Both the Shelby and Singleton death penalty initiatives would be, in reality, run by the federal government against the overwhelmingly minority population of the nation's capital, since all the D.C. prosecutors and judges who would implement it are appointed by the federal government. The only role of the residents of the District would be pulling the switch on the electric chair and serving on juries. However, under current U.S. law, any person opposed to the death penalty can be struck for cause from a jury in a capital case.

Meanwhile, in Virginia, fresh from the execution of Willie Leroy Jones on the 29th anniversary of the hateful bombing of the 16th Street Baptist Church in Birmingham, Attorney General Mary Sue Terry has already scheduled two more executions in the next 10 weeks, and possibly others before the end of the year. On Oct. 28, Charles Sylvester Stamper, a 39-year-old African-American, is to be executed, and Timothy Dale Bunch, a white 33-year-old, is to be executed on Dec. 10.

Reverend Bevel told his audience on Sept. 15 in Richmond not to wait for the Messiah to straighten this mess out; it is our job to bring about an alternative, he said.



# LaRouche-Bevel step up independent bid

by Marla Minnicino

On Sept. 11, the first national television broadcast of the independent presidential campaign of political prisoner Lyndon LaRouche and his vice presidential running-mate, the civil rights leader Rev. James Bevel, was aired nationally for one half-hour.

The Lyndon LaRouche "Independents for Economic Recovery" campaign is certified for the ballot in 17 states: Alaska, New Jersey, Iowa, Massachusetts, Washington, D.C., Washington state, Tennessee, Utah, Louisiana, Rhode Island, Arkansas, Minnesota, Wisconsin, Alabama, North Dakota, Virginia, Ohio, and has filed in Vermont. Court cases or other legal actions for ballot status are pending in Mississippi, Nebraska, and New York; LaRouche will be an official write-in candidate in a dozen states, among them Delaware, Texas, and Michigan.

The Sept. 11 telecast, entitled "An Industrial Recovery from Today's Dark Age," featured a series of flashbacks from Lyndon LaRouche's earlier presidential campaigns, from his third-party candidacy in 1976, to the 1980, 1984, and 1988 races for the Democratic nomination. Viewers were thus able to appreciate the depth of LaRouche's political experience and his stunning foresight about the crisis the West faces today—as well as his consistent record of naming the nation's enemies, and fighting for positive solutions. Bevel was introduced to nationwide voters for the first time, with a broadcast of an excerpt from his recent speech on education policy in Demopolis, Alabama.

The show began with some of LaRouche's prophetic statements from his last presidential race as a free man, in 1988, when he proposed Germany's reunification and the revival of Berlin as its capital, and warned of the war threat in the Balkans. The Berlin Wall fell in 1989, as foreseen by LaRouche, almost alone; the Balkans war has now become a grim reality. In 1990, he saw a Mideast war in the making, which came true months later in Operation Desert Storm, a military adventure popular with many Americans at the time, but which only deepened the nation's moral and economic crisis.

The LaRouche-Bevel broadcast highlighted the destruction of the U.S. economy since JFK's death in 1963, especially by Defense Secretary Robert McNamara, who "introduced

a complete reversal of everything which had to do with the John F. Kennedy economic recovery program and other things," in LaRouche's words. "Whereas the United States, before McNamara, had been committed to scientific and technological progress . . . as a way of meeting the material problems of life, and education, and so forth, McNamara and his friends . . . introduced what became known as a post-industrial society."

The candidate went on, "This was the policy of every President after Johnson. It was the policy of the New York Council on Foreign Relations; it was the policy, of course, of the Club of Rome, a British intelligence operation; . . . it was the policy of the Trilateral Commission of David Rockefeller, which gave you Jimmy Carter and Walter Mondale. This is what has ruined us over the past 25-odd years."

## A new monetary system—or genocide

In 1976, reluctantly, LaRouche launched his first independent campaign for President, convinced that, "as bad as the Kissinger Republicans had been, the Carter candidacy represented David Rockefeller Democrats—Kissinger Democrats—who would be even worse."

"The monetary system constructed at the end of World War II is now collapsing," the candidate warned. Yet, "certain forces within the United States are committed to attempting to save this bankrupt monetary system. The methods to which they are resorting, are consciously modeled upon those used earlier by Hjalmar Schacht, the Nazi finance minister, particularly during the 1933-36 period."

As LaRouche had foreseen, under Carter, the high-interest rate policy imposed by Federal Reserve chairman Paul Volcker eroded America's basic economic infrastructure. "As I warned in national television broadcasts in both the 1980 and 1984 presidential campaigns, all of the measures of real economic growth—the percentage of industrial and agricultural operatives in the work force; the physical productivity of labor; the amount of machine-tool and capital-goods created—had been collapsing disastrously since the mid-1970s," LaRouche said in the Sept. 11 telecast.

In 1982, LaRouche had said that Third World debt could not be paid. His "Operation Juárez" was a proposal for an orderly moratorium on Ibero-American debt to the International Monetary Fund and to the New York and London banks, combined with a plan for industrial development. The Reagan-Bush administration not only rejected Operation Juárez, but in October 1982, brought in Henry Kissinger to threaten Ibero-America's nations with dire consequences if they did not refinance their debt to the International Monetary Fund.

The Sept. 11 campaign telecast pointed out that the Reagan-Bush "free enterprise recovery" of the 1980s meant an orgy of pure financial speculation, unconnected to industrial or agricultural production. This was combined with deregulation, and a spree of leveraged buy-outs and asset-strip-

ping fueled by trillions of dollars of worthless junk bonds.

LaRouche told viewers, "The last time the United States actually witnessed a broad social movement for a better America, was during the civil rights movement of the 1960s, especially under the leadership of Martin Luther King, up to the time he was shot. In that period, many Americans, inspired by our successes in aerospace development, were prepared to fight for justice, and for economic equality, and for a better education for *every* American, whatever their skin color or national origin.

### James Bevel's role

"One of the leaders of that 1960s civil rights movement, who is still fighting today, is the Rev. James Bevel. Jim Bevel was one of the founders of the Student Nonviolent Coordinating Committee, and was the organizer, assigned to this work by Dr. Martin Luther King, to lead such things as the famous civil rights campaign in Mississippi, and in Selma and Birmingham, Alabama. I am honored that James Bevel has accepted my nomination for him to be my vice presidential running mate."

LaRouche warned voters not to believe "that we've been shelling out money to countries all over the world. Well, we've been giving some money to Israel, but to most everybody else, we've been giving nothing—we've been *taking*. . . . And the countries from which we've been taking support, such as Mexico . . . are now collapsing, and can't support us any more. If we continue with this so-called free trade policy, with this post-industrial policy, there is no hope for a recovery of the U.S. economy, ever—*ever*."

In the concluding segment, LaRouche assured voters, "On the day that I am inaugurated as President of the United States, I will act immediately to halt this depression, and to get the United States back on the road toward recovery." The show then detailed the concrete monetary and economic investment policies to do this.

Why have Americans not implemented these programs before the present debacle? LaRouche said: "You American voters wish to blame Washington for your troubles. You've got to accept part of the blame. It is you, so preoccupied with your television soap opera and your other cheap recreations, and not paying attention to business, who have consistently turned out on election day—thoughtlessly, almost—to vote for what you consider the lesser evil. And, every time you've voted, what you've done is, you've brought in evil."

Since Labor Day, vice presidential candidate Bevel has focused his campaign in the Mid-Atlantic states. On Sept. 8, he addressed a rally in Richmond, the Virginia capital, protesting the pending execution of Willie Leroy Jones, a poor black man, in the electric chair. On Sept. 15, Bevel led a larger anti-death penalty rally in the same city, called on that date to honor the memory of four black children murdered by a bomb attack on a Birmingham, Alabama church during a civil rights meeting, on Sept. 15, 1963 (see article, page 60).

---

## Inslaw Case

---

# House committee seeks special prosecutor

by Jeffrey Steinberg

On Sept. 10, the day that the House Judiciary Committee publicly released its long-awaited final report on the Inslaw affair, committee chairman Jack Brooks (D-Tex.) forwarded a letter to Attorney General William Barr signed by 20 other committee Democrats formally demanding the appointment of a special prosecutor to probe the decade-old Department of Justice corruption scandal.

Inslaw, a Washington, D.C. computer software firm, was driven into bankruptcy in the early 1980s when the Department of Justice (DOJ) stopped payment on a \$10 million case-management software contract involving a copyrighted version of the firm's Promis program. Investigations by Inslaw President Bill Hamilton and the company's lawyer, Elliot Richardson, turned up evidence that senior Reagan administration DOJ officials, including Attorney General Edwin Meese and Deputy Attorney General Lowell Jensen, joined with private sector business associate Dr. Earl Brian and possibly with U.S. intelligence officials to steal the Promis software and then bankrupt the company.

A federal bankruptcy court judge ruled in 1988 that the Department of Justice had indeed used "trickery, fraud, and deceit" to steal the software. The next year, a district court judge upheld the bankruptcy court ruling. Last year, the appeals court threw out the case on narrow procedural grounds but did not challenge any of the lower courts' findings of fact.

The House Judiciary Committee has been probing the Inslaw scandal for several years. Shortly before he stepped down as attorney general, Richard Thornburgh came under heavy fire from Jack Brooks for obstructing the investigation. The just-released 114-page Judiciary Committee report concludes that high-level DOJ officials as well as private individuals may have violated 12 separate criminal statutes including: fraud, perjury, tampering with a witness, receiving stolen goods, transporting stolen goods, and the Racketeering Influenced and Corrupt Organizations (RICO) statute.

### Inslaw allegations confirmed

Despite the fact that the House Judiciary Committee investigators ran up against nonstop interference from the De-

partment of Justice, which is well documented throughout their report, they were able to confirm a number of the most crucial allegations made by Hamilton and Richardson.

- Committee investigators obtained copies of internal Department of Justice memos which showed that copies of the Promis software and various users manuals had been provided—behind Inslaw’s back—to district attorneys in Colorado, to state officials in Pennsylvania, and to the Israeli government! According to the committee report, on April 22, 1983, C. Madison Brewer, the department’s project manager (and onetime lawyer for Inslaw who had been unceremoniously fired by Hamilton), ordered one of his assistants to provide a copy of the Promis to Dr. Ben Orr, “a representative of the government of Israel.”

The committee was unable to confirm whether copies of Promis were also provided to the Central Intelligence Agency and to the governments of Canada and the U.S. Virgin Islands as the result of lack of cooperation from the relevant agencies or governments.

- The committee also was able to confirm a critical allegation by Michael Riconosciuto, a sometime CIA asset and computer whiz-kid, who claimed that Dr. Earl Brian had been involved in a secret CIA project at the Cabazon Indian Reservation near Indio, California. Riconosciuto claimed that he had been assigned by Brian to make modifications in the stolen Promis software at the secret Cabazon site. The Cabazon Reservation housed a string of CIA and Pentagon weapons research and manufacturing projects during the early 1980s under the nominally private sponsorship of the Wackenhut Corp. Committee investigators were able to obtain records from the local sheriff’s department confirming that Brian had been at the site in the company of Riconosciuto. In a sworn affidavit to the committee and to the federal court, Brian had denied ever being at Cabazon or ever meeting Riconosciuto.

- The committee was also able to interview FBI Special Agent Thomas Gates on his knowledge of some of the circumstances surrounding the death of investigative reporter Dan Casolaro in August 1991. Casolaro was found dead in a hotel room in Martinsburg, West Virginia shortly after he apparently met with an important source on the Inslaw case. Both of his arms had been repeatedly slashed. Local police badly sabotaged the initial probe and eventually claimed that Casolaro’s death was a “suicide.”

At the time of his death, Casolaro was in contact with Agent Gates, who had probed one of the alleged private sector players in the Inslaw affair, Robert Booth Nichols. Nichols was probed by the FBI for suspected ties to Asian organized crime rings and possible CIA links. Days before Casolaro’s death, Nichols had warned Casolaro that he was getting too close to cracking open the Inslaw case, and that his life was in jeopardy. Based on the Gates interview and other information, the committee report called for the special prosecutor to probe the Casolaro death as part of the Inslaw matter.

## Smoking gun memo

Perhaps the single most damning piece of new evidence turned up by the Judiciary Committee was a sworn statement by Deputy Attorney General Arnold Burns, which revealed that DOJ attorneys believed that Inslaw’s claims against the department were justified and that the government would lose if it went into court to defend against the fraud and contract violation charges. Despite that internal evaluation, the department proceeded to spend millions of dollars in taxpayers’ money.

The committee report, commenting on the Burns revelations, concluded: “Considering that the deputy attorney general was aware of Inslaw’s proprietary rights, the department’s pursuit of litigation can only be understood as a war of attrition between the department’s massive, tax-supported resources and Inslaw’s desperate financial condition, with shrinking (courtesy of the department) income.”

Not only did the committee’s final report conclude that the Department of Justice had used “trickery, fraud, and deceit” to steal Inslaw’s proprietary software and then try unsuccessfully to shut down the company, but the report also made some strong recommendations:

“Based on the evidence presented in this report, the committee believes that extraordinary steps are required to resolve the Inslaw issue. The attorney general should take immediate steps to remunerate Inslaw for the harm the department has egregiously caused the company. . . . In the event the attorney general does not move expeditiously to remunerate Inslaw, then Congress should move quickly under the congressional reference provisions of the Court of Claims Act to initiate a review of this matter by that court.

“Finally the committee believes that the only way the Inslaw allegations can be adequately and fully investigated is by the appointment of an independent counsel.”

## Indictments soon?

Sources close to the Inslaw case have told *EIR* that the Bush administration is scrambling to limit the damage and avoid appointing a special prosecutor. According to these sources, the Inslaw scandal, if thoroughly probed, would unravel a political dirty tricks apparatus inside the DOJ that has been growing in power since the time of the Nixon presidency. The Inslaw scandal, like the railroad prosecution of Lyndon LaRouche using similar illegal bankruptcy tactics, these sources say, goes to the heart of this dirty network.

Among the options reportedly being considered by Attorney General William Barr is to indict several of the middle management DOJ officials deeply implicated in the Promis theft and the bankruptcy scheme against Inslaw. Such a maneuver, these sources say, would be used to justify rejecting Representative Brooks’s special counsel request and protecting the top DOJ officials who actually ran the Inslaw operation.

## Churches not thrilled with Bush-Clinton duo

George Bush presented a queer interpretation of family values to a conference of Pat Robertson's Christian Coalition on Sept. 11, saying that when he talks about "family values," he doesn't mean the traditional nuclear family. Maintaining that "the family is at the center of America," Bush went on to say that family values does not mean a return to "the days of Ozzie and Harriet." "That may be wrong," he said, "but nor do I pass judgment on the kind of family you live in." Families are not measured by "what kind," he said, "but by how close." Bush's remarks came just a few days after Dan Quayle publicly patted the Bush administration on the back for having hired homosexuals and lesbians.

Earlier Robertson had told reporters that if Bush "doesn't mobilize his right wing, that he'll lose the election." Robertson claimed that 83% of evangelicals voted for Bush in 1988, "and that accounted for probably 25% of his total electoral coalition. If you lose that, you lose the election."

Meantime, "Slick Willie" Clinton thought he could curry votes at Notre Dame University by invoking Catholic social teachings to promote abortion. "All of us must respect the reflection of God's image in every man and woman. And so we must value their freedom, not just their political freedom but their freedom of conscience—in matters of philosophy and family and faith," said Clinton, in an obvious reference to "abortion rights."

More recently, Mr. "Lesser of Two Evils" was blasted by the leader of the National Baptist Convention of America, Inc., at their convention in

Houston on Sept. 10. The Rev. E. Edward Jones, chairman of the 4.5 million-member denomination, attacked Clinton, a professed Baptist, in his keynote for not attending the convention. Jones told the 15,000 delegates that Clinton's failure to attend shows that he does not know that "we are not an insignificant society," one that can be ignored.

Reverend Jones also attacked George Bush's North American Free Trade Agreement (NAFTA) in his speech, while many convention delegates also expressed their anger at Clinton: Rev. J.D. Williams, the Home Mission Board chairman, told the *Houston Post* that Clinton seems to be trying to "out-Bush Bush."

## Workfare, Dixie-style

Claiming that people on welfare are "dying" for an alternative "to the welfare system as we know it," Bill ("Bull") Clinton declared on Sept. 9: "People who can work, ought to go to work, and no one should be able to stay on welfare forever."

Speaking to social workers in Jonesboro, Georgia, outside Atlanta, Clinton announced a \$6 billion plan to reform welfare over the next four years. With an unspecified program of education, job training, child care, and transportation, Clinton would terminate all welfare payments at the end of two years. "Everyone on welfare would have to go to work," Clinton said, either in a private sector job or in "community service" jobs funded by the state or local government.

He also called for a crackdown to enforce child-support payments, through the creation of a nationwide databank that would automatically

withhold wages and notify credit agencies of nonpayments. Clinton said his plan represents "real family values," declaring that "we ought to be pro-child and pro-work, and that's what this plan is."

## Clinton, Gore blanch at sight of Bush bio

Clinton and side-kick Sen. Al Gore were on the Texas campaign trail in late August, at a large rally in Austin, to which they had invited former Sen. Ralph Yarborough, pleading that the party needed his presence. Senior statesman Yarborough, who defeated Bush in the 1964 senatorial race, showed up on the podium carrying two copies of *EIR's* book *George Bush: The Unauthorized Biography*.

Yarborough presented a copy to Bill Clinton, saying it was the most honest treatment of Bush in print. He demanded that Clinton use it, and that it would make Clinton a better Democrat. Yarborough also criticized the party's pro-death penalty stand. Clinton replied that he had already received the book in the mail. (He had received it from *EIR* Houston bureau chief Harley Schlanger, to whom Clinton had written a reply that he would enjoy reading it in the White House—apparently not before.)

Clinton pushed the persistent Yarborough over to Al Gore. Yarborough demanded that Gore take the book, and Gore replied that he, too, had already received it—from his father, former Sen. Al Gore, Sr. The elder Gore was especially enthusiastic about Chapter 10's inspiring account of Yarborough's defeat of Bush. Yarborough also put a copy in Hillary Clinton's hand, and she was seen holding the book at the rally.

# Classical LaserDiscs: many advantages, and a few caveats

by Kathy Wolfe

---

## **Macbeth**

by Giuseppe Verdi  
conducted by Giuseppe Sinopoli, Deutsche Oper  
Berlin, June 1987, Pioneer PA-91-411

---

---

## **Giovanna d'Arco**

by Giuseppe Verdi  
conducted by Riccardo Chailly, Teatro Comunale  
di Bologna, 1989, Teldec 9031-71478-6

---

---

## **Beethoven Lieder**

Peter Schreier, tenor, and Norman Shetler, piano  
Bad Urach, 1987, Pioneer PA-91-347

---

---

## **Beethoven: Symphony No. 9**

conducted by Kurt Masur  
Gewandhaus Leipzig, 1991, Pioneer PA-91-396

---

Just as Thomas Edison's invention of the phonograph has allowed us to keep alive some of the musical traditions of earlier in the century, classical video and its latest technological breakthrough, the LaserDisc, can make great art more available. A LaserDisc, which looks like a compact disc but is almost the size of the old 33 $\frac{1}{3}$  LP records, is a compact disc with video; the better model CD players today play LaserDiscs, too. LaserDiscs have much higher audio quality than video tape, and are permanent, while video tape deteriorates within years. The music can be listened to like a CD, without the television. The Pioneer Corp. of Tokyo and Los Angeles has one of the best classical collections on LaserDisc; to receive a free Pioneer Artists LaserDisc catalogue, call (800) 322-2285.

First, however, a caution. For 400 years, from the Euro-

pean Renaissance through the American Civil War era, in towns across Europe and America, the average person could hear great dramas and musical performances live, and sung by neighbors in church many a Sunday.

The average educated citizen could not only read works of art, and could perform them in community settings such as schools and churches, but could also *create* them. Much as children today are taught to write simple paragraphs in grade school (wherever the Apple computer doesn't do it for them), children used to be taught to read and write poetry, drama, and music. Today, we live in a video culture, which induces such passivity in Americans that my usual response to seeing a TV set is to say, "Turn the blasted thing off!" It is better to simply read, which, because of television, Americans have forgotten how to do. This passivity reaches far into our consciousness. While some today might agree if told to "go read a book," or "go hear a live concert," many Americans would be downright confused if urged to recite a Shakespeare play, or sing a Schubert song. If told, "Go *compose* a poem" or a piece of music, most Americans would think their interlocutor insane.

## **Verdi's heritage**

We are thus faced today with the death of an entire culture. Public performances of art are only available in a few large cities at astronomical prices, restricted to the wealthy, effete, intellectual snobs. The deterioration in education means performances are often poor. Thus, good recordings become valuable. Two of Pioneer's latest releases, the full-length operas "Giovanna d'Arco" and "Macbeth," give a good deal of insight into the maturation of composer Giuseppe Verdi. They are also the first recordings of these early, rarely performed Verdi operas available in video.

Verdi's later "Macbeth," first composed in Florence in 1847, was rewritten over the next 18 years to produce in 1865 a magnificent rendering of Shakespeare which remained one of the composer's own favorite operas. Verdi was a passionate proponent of Abraham Lincoln in the American Civil War and there is no doubt that this tale of political intrigue and assassination took on a new meaning for him in the wake of Lincoln's murder. Pioneer's 1987 Deutsche Oper Berlin version is superb, featuring the experienced Verdi interpreter baritone Renato Bruson in the title role, and a perfectly wicked Mara Zampieri as the inexorable Lady Macbeth.

Verdi succeeds in translating perfectly into music many of Shakespeare's best scenes, in particular, the famous exchange between Macbeth and his Lady preceding their murder of King Duncan, which Verdi builds into a riveting duet. Instead of wallowing in wickedness, as the New York production had the principals do, Bruson and Zampieri sing fully, but from a mental level above the characters themselves, showing us the passion of the characters without drowning in the hysteria the characters themselves feel.

"Giovanna d'Arco" (Joan of Arc), composed in 1844, was the earlier of the two Verdi operas, based upon Friedrich Schiller's 1801 play "The Virgin of Orleans." Soprano Susan Dunn is terrific in the title role, singing with full Italian roundness, and Riccardo Chailly conducts lyrically, if fast in spots. Schiller's play is the magnificent story of Joan as the messenger of God to France, who is able to rise above all animal passions, a tale that needs telling in these times. Her failing is to fall in love at first sight, i.e., to fall in lust, with the English soldier Lionel, which threatens tragedy by compromising her high standards.

Verdi had librettist Temistocle Solera condense the dense plot, as opera librettists must, but over-much, so that Giovanna d'Arco falls for the French King instead. The opera itself thus lacks tension, since the element of treason is removed. (Solera did this at Verdi's request; the composer feared that the Italian public, who saw his operas as inspiration for the patriotic movement to drive foreign occupiers out of Italy, would never accept the heroine's falling in love with the enemy.) The video's Bologna staging is overly literal, with lots of hooded figures and dead bodies lying about the stage to show us the gore of the Hundred Years' War.

Musically the best audio is still the 1973 version by miraculous Monserrat Caballe as Giovanna, the young Placido Domingo as the King, and Sherrill Milnes as Giovanna's father, on EMI CD CDMB-63226.

## Beethoven documentaries

Historic concerts and those by artists who rarely visit the U.S. are of special value on LaserDisc. Pioneer's Beethoven Liederabend (evening of song) with German tenor Peter Schreier and pianist Norman Shetler is a concert most Americans will likely see nowhere else, and it should be seen.

Mr. Schreier, alone of postwar singers, has emphasized Beethoven's magnificent, under-appreciated songs, and here are a full 90 minutes of the best. The setting is the intimate concert salon in Bad Urach, East Germany, in 1987. Mr. Schreier shows how he inspired a generation of downtrodden East German citizens with the hope that the greatness of German music must mean better days to come for Germany. Especially fine are Beethoven's song cycle "An die ferne Geliebte" ("To the distant beloved") Op. 98, and the encore, "Bitten," the first of Beethoven's six "Gellert" Lieder Op. 48, in which Schreier answers the audience's applause by pointing out that God is ever with us.

Vocal purists are warned that Mr. Schreier never sang

with bel canto technique, and his voice by 1987 shows the strain; the tightness is visible and audible. Still, the best audio recording of Beethoven's Lieder remains Mr. Schreier's 1976 two-volume set on Teldec 6.41997 and 6.42082, when his voice was at its best.

Similarly singular is conductor Kurt Masur's reading of Beethoven's "Choral" Symphony No. 9 in D minor from Leipzig. Masur was one of the leaders who helped bring down the Berlin Wall in 1989. Here we see him in the Gewandhaus, in 1991, the concert hall he built himself under the old East German regime. Even under communism, the superior methods of music education in Germany are evident just by glancing at the soprano section of the chorus, which consists largely of the children of the Gewandhaus Chorus and Leipzig Radio Chorus, singing Schiller's poem entirely from memory.

The inventors of the compact disc at Japan's Sony Corp. said that they determined the length of the CD based on how long it would have to be to contain Beethoven's entire Ninth; little more need be said about the importance of the composition here. Unlike Furtwaengler, who moved little, relying on wrist action, eye contact, and sheer mental concentration, Masur's conducting is unexpectedly energetic, from a visual standpoint. Still, while maintaining fairly brisk tempi, he achieves the necessary long, singing phrases, especially with the orchestra. Masur gets very good differentiation among the orchestral voices. With great clarity, the string basses can be heard versus the violins, and versus the winds, as distinct singing lines. The camera work is terrific in this regard, as the director has mastered much of Beethoven's counterpoint and shows us each of these orchestral sections at just the right moment, although the rapid visual shifts required to accomplish this can become a bit "busy." The sound is technically gorgeous and the disc worth buying just to play the audio.

I also liked the LaserDisc of the Christmas 1989 Beethoven's Ninth from Berlin conducted by the otherwise useless Leonard Bernstein, featuring June Anderson and other fine singers (Deutsche Grammophon 072-250-1). The warmth of the occasion here overwhelmed all concerned to produce a fourth Choral movement which in its breadth of tempo and emotion surpasses Masur's reading. The Berlin soloists are superior to those in Leipzig, whose singing is strained.

A final note: The great thinkers of history, such as Leonardo da Vinci and Beethoven, would be thrilled at today's technology, as a means of spreading art to every family. But while *listening* to a recording is an inferior means of participation in music than singing or playing, audio recordings do leave the mind's eye free to imagine the full extent of the music. Any video, however, is still *television*—and we know the powers of the tube to mesmerize and eviscerate the imagination. So do buy LaserDiscs of Beethoven, Verdi, or Handel—but beware. Use these fine performances as inspiration to attend live concerts, and to learn to perform music yourself. Watch once or twice a week, and then turn off the TV and read, or create something yourself.

## Indictments handed down in House Post Office flap

A federal grand jury handed down an indictment against the former manager of the House Post Office, Joanna O'Rourke, on Sept. 10, on charges that House Post Office employees engaged in a conspiracy to defraud the government and that they used taxpayer funds to benefit members of Congress. The indictment came one day after prosecutors reached an agreement with O'Rourke under which she will plead guilty to two misdemeanors and cooperate with the grand jury investigation of the Post Office.

The indictment of O'Rourke signals that the prosecutor, U.S. Attorney Jay Stephens, is close to charging one or more members of Congress with criminal wrongdoing.

The indictment charges O'Rourke with ordering House postal employees to pick up and deliver campaign contributions, send improper express mail shipments, and, in one instance, using the Post Office's stamp to backdate the postmark on a federal income tax return.

Three congressmen have acknowledged receiving subpoenas: House Ways and Means Chairman Dan Rostenkowski (D-Ill.), Rep. Austin Murphy (D-Pa.), and Rep. Joseph Kolter (D-Pa.). The members, who have invoked their Fifth Amendment rights, have had their office and postage expense records subpoenaed.

## Anti-incumbent fever taking its toll

The anti-incumbent fever sweeping the country has already made itself felt in primary elections throughout the country. Earlier in the year, Sen. Alan Dixon (D-Ill.) was defeated in his primary by Carol Moseley Braun.

On Sept. 8, relatively unknown

Wisconsin state senator Russell Feingold defeated five-term Rep. James Moody (D-Wisc.) for the Democratic nomination to challenge Sen. Robert Kasten (R-Wisc.) in the Wisconsin Senate race. Feingold received a whopping 70% of the vote, while Moody and businessman Joe Checota each received just 14%.

In Oklahoma, Rep. Mickey Edwards (R) could only rally 26% of the vote in his Aug. 25 primary, coming in last in a three-way race. Edwards was the fourth-ranking Republican in the House.

## Space Station funds voted up

The Senate voted on Sept. 9 to continue funding for Space Station Freedom. An amendment by Sen. Dale Bumpers (D-Ark.), which would have eliminated funding for Freedom, was defeated in a vote of 63-34.

The \$2.1 billion earmarked by the Senate for the Space Station is \$840 million less than the Bush administration had requested but \$400 million more than the sum approved by the House in July. Differences in the two bills will be worked out in conference committee.

Because of budget pressures, the design of Freedom has been reworked numerous times. Sen. Barbara Mikulski (D-Md.), chairman of the Senate Appropriations subcommittee with jurisdiction over the Space Station, said the project had already generated 75,000 jobs.

Sen. Jake Garn (R-Utah), who flew on a Shuttle mission, and who will be leaving the Senate this year, noted that his biggest disappointment was "the shortsightedness of the Congress, the willingness to vote for things that give immediate political benefit, but the unwillingness to vote for something that

may not bear fruit for 10, 12, 15, 20 years down the road."

Bumpers's alternative to building the Space Station was renting space on the Russian Mir Space Station.

## House, Senate move to lift MFN status for Serbia

A resolution introduced into the Senate on Sept. 9 would condition the granting of Most Favored Nation (MFN) status to Serbia and Montenegro on the President's certification to Congress that these countries had stopped supporting armed conflict in the Balkans. The resolution was introduced by Senate Majority Leader George Mitchell (D-Me.), Senate Foreign Relations Committee Chairman Claiborne Pell (D-R.I.), and Sens. James Sasser (D-Tenn.), James Jeffords (R-Vt.), Frank Lautenberg (D-N.J.), and Warren Rudman (R-N.H.).

The conditions for continuing MFN status include provisions that Serbia halt support for Serbian forces inside Bosnia-Herzegovina and make significant progress toward complying with the internationally recognized human rights clauses of the Helsinki Final Act, including respect for minority rights in Kosovo and Vojvodina.

The resolution also demands that Serbia and Montenegro respect the borders of the six republics of former Yugoslavia as determined by the 1974 Yugoslav Constitution, i.e., before the Serbs initiated their invasion and "ethnic cleansing."

Similar legislation in the House, which has 115 sponsors, is expected to be introduced shortly by Rep. Frank Wolf (R-Va.). The Wolf legislation also calls on the parties to return to the original boundaries of the region, and calls for the placement of U.N. peacekeeping forces on the borders of Kosovo and Vojvodina. Wolf recently



returned from a fact-finding mission in former Yugoslavia.

## **Martin concedes NAFTA will cost U.S. jobs**

Labor Secretary Lynne Martin conceded under intensive grilling before the Senate Finance Committee on Sept. 10, that the North American Free Trade Agreement (NAFTA) could eliminate up to 150,000 U.S. jobs. Martin became the first Bush administration official to admit that NAFTA will result in a major loss of jobs in the United States.

The cat slipped out of the bag when committee members pressed Martin on how the administration came up with a figure of \$330 million a year for five years for retraining workers once NAFTA goes into effect. Martin eventually responded that it was based on the possible loss of 150,000 jobs over 10 years, which she claimed was the highest estimate among 20 studies reviewed by the Labor Department. Under further questioning, she acknowledged that the AFL-CIO has predicted the loss of 500,000 jobs, but said the department had not included organized labor's estimate in its review.

Meanwhile, two supporters of a free trade agreement with Mexico have indicated that the agreement has little chance of passage in its present form.

In a speech on Sept. 9 before a coalition of labor and environmental groups opposed to the pact, House Majority Leader Richard Gephardt (D-Mo.) called on the Bush administration to "cease further efforts to win congressional approval" of the NAFTA agreement and to return to the negotiating table to revise the agreement in order to include provisions for protecting workers and the environment.

In testimony before the Senate Fi-

nance Committee on Sept. 9, U.S. Trade Representative Carla Hills rejected any suggestion that the agreement be altered.

Another member of the "free trade" faction, Sen. Max Baucus (D-Mont.), also attacked the agreement. In floor statements on Sept. 8, he called the agreement "flawed" and accused the administration of "using NAFTA for partisan political advantage."

## **Senate votes to revoke MFN for China**

By unanimous consent, the Senate passed a measure which would revoke Most Favored Nation status for trade with Chinese state-owned industries. The bill does not limit MFN for private companies and joint venture companies in which American businesses are working. The Bush administration has opposed any restrictions on China's MFN status.

The bill, introduced by Senate Majority Leader George Mitchell (D-Me.), would allow continued MFN status for China only if it met a number of stringent conditions. China must begin adhering to its commitment to the U.N. Universal Declaration of Human Rights in China and Tibet, it must allow unrestricted emigration of persons, and it must provide an accounting of citizens detained, accused, or sentenced since the Tiananmen Square massacre. China must also demonstrate a good faith effort to release those imprisoned for their non-violent expression of political beliefs, and it must act to stop the export of products made by forced labor to the United States.

In addition, the legislation requires that the Chinese government cease religious persecution and repression in China and Tibet, cease unfair trade practices with the United

States, and abide by the Missile Technology Control regime.

In a separate bill introduced on Sept. 14 by Sen. John Kerry (D-Mass.), China would be required to cooperate with the United States in efforts to account for U.S. military personnel missing in action or otherwise unaccounted for as a result of their service in the Korean or Vietnam conflicts.

## **Gonzalez exposes secret U.S. relations with Iraq**

Rep. Henry Gonzalez (D-Tex.) presented more specifics on secret U.S.-Iraq relations prior to the Persian Gulf war, in comments on the House floor Sept. 14. The most significant part of the allegations was the manner in which the U.S. Justice Department intervened into the criminal investigation of the Atlanta branch of the Italian Banca Nazionale del Lavoro (BNL), fingered as the financial funnel for illicit funds going to an Iraqi military program.

Gonzalez noted how executives of the bank had turned to U.S. Ambassador to Italy Peter Secchia in 1990 to try to get the U.S. government to intervene to control the investigation. Gonzalez said that shortly after Secchia had sent a dispatch voicing these concerns to the U.S. State Department, the U.S. Attorney's office in Atlanta had reassigned the lead prosecutor to another case for the entire summer of 1990, and control of the investigation was transferred to Washington.

Gonzalez condemned the Justice Department's interference in his investigation, including threats to subpoena him for revealing classified information, as "corrupting and abdicating and frustrating the very oath of office and constitutional responsibilities inherent in those officials and in those positions."

# National News

---

## Arkansas uses black inmates as 'houseboys'

Black prisoners in Arkansas are required to serve as domestics and shoeshine boys for prison officials in Arkansas without pay, according to a recent exposé that appeared in *New York Newsday* and the *Roanoke, Va. Times and World News*. Although an internal investigation in 1987 found that black inmates are ten times as likely as whites to draw the "houseboy" assignments, the practice has been continued by the Board of Corrections which was appointed by Gov. Bill Clinton. One board member, Bobby Roberts, said the "image" created by the disparity smacks of "the plantation mentality that has been down here forever."

The only action Governor Clinton has taken to stop the practice by his appointed board was to write a letter two years ago asking the board to do away with the obvious racial disparity. When the board refused to act, he took no further action, according to former Corrections Board Chairman A.L. Lockhart. Only three other states—Louisiana, Mississippi, and Alabama—require inmates, informally known as "houseboys," to perform unpaid domestic and shoeshine duties for prison officials who live in state-owned homes next to the prisons. In 1987, Arkansas' own investigator found that 85% of "houseboy" positions were filled by blacks, who make up only 57% of the inmate population; 1% of Arkansas' 7,535 inmates are "houseboys."

---

## 'Spotlight' recommends LaRouche 'protest vote'

The Sept. 14 issue of the populist weekly newspaper *Spotlight* included a spread on the presidential elections, which recommended Lyndon LaRouche among what it called "protest candidates." After reviewing each candidate, *Spotlight* wrote about independent presidential candidate Lyndon LaRouche: "Then there is Lyndon LaRouche whose beliefs are a mixture of

nonsense and good sense and whose followers have managed to place him on 10 state ballots. Campaigning from jail, where he sojourns as a claimed political prisoner, LaRouche's crimes, if any, are almost infinitely fewer and of less magnitude than those of the Republican candidate and may thus be overlooked. Although his economic 'solutions' are far-fetched to say the least, he and his organization are strongly anti-drug and anti-crime; in fact, they do not hesitate to brand the Anti-Defamation League as a criminal organization tied to the drug racket. Thus, LaRouche has the same enemies as this newspaper and its publisher. A protest vote for him would send a healthy signal to the Establishment of non-confidence."

The *Spotlight* feature also recommended, of the three "major candidates," i.e., those on the ballot in most states, they would favor H. Ross Perot because "Perot's election would completely upset the *status quo*. It would be a mortal blow against the present system," despite the fact that the article strongly criticized Perot's "reputed endorsement of the parliamentary system."

---

## More 'October Surprise' tapes surface from FBI

At a hearing in New York on Sept. 8 in a Freedom of Information Act (FOIA) action brought by *EIR* researcher Mary Jane Freeman, the government attorney told U.S. Judge Miriam Cedarbaum that the FBI had located 7,000 documents in its New York field office in response to Freeman's FOIA request for records about Iranian banker Cyrus Hashemi, his attorney J. Stanley Pottinger, and other events surrounding the "October Surprise." Before the hearing, the FBI's attorney also told Freeman's attorney, James Lesar, that the "missing tapes" of 1980 conversations between Hashemi and Pottinger have been found, but that they will have to be translated from Farsi and transcribed, before it can be determined if their contents can be released.

The tapes, from government wiretaps of the late Iranian banker Hashemi, would shed light on how the Reagan-Bush campaign in-

tervened to prevent the Iranian government from releasing U.S. hostages until after the November 1980 presidential election. Suspicion in what became known as the "October Surprise," centers around George Bush, Reagan-Bush campaign chief William Casey, and former Nixon Assistant Attorney General J. Stanley Pottinger, as well as the networks that later became the Iran-Contra connection.

In 1980, *EIR* printed allegations that Hashemi was involved in illegally violating the U.S. arms embargo against Iran. Hashemi sued *EIR*, which subpoenaed government documents that would prove government awareness of Hashemi's illegal operations. The subpoenas to various agencies were quashed on "national security" grounds. In 1983, Hashemi's suit was dismissed. In 1984, it was disclosed that crucial tapes of FBI wiretaps on Hashemi's phone had been lost. FBI documents analyzed by *EIR* indicate that the "missing tapes" consist of eight conversations centering on the period around Dec. 12, 1980. The "disappearance" of these tapes in 1984 prevented the prosecution of Pottinger.

---

## Striking Rhode Island teachers freed from jail

As Teamsters and other supporters paraded outside the courtroom, 18 Warwick, Rhode Island teachers were unmanacled and released from jail on Sept. 14. Superior Court Judge Paul Pederzani, Jr. had ordered union leaders and other striking teachers arrested and jailed on Sept. 11 for defying his order to go back to work.

The latest developments temporarily defused a political-labor crisis, in which collapsing state funding has led to severe attacks on local education budgets. Warwick teachers worked last year without a contract, making concessions to the city on class sizes and layoffs. The teachers voted a strike on Aug. 31, after the city demanded cuts in school services and unlimited authority to increase class sizes and to lay off teachers. Though Judge Pederzani had 18 strikers jailed, and threatened wider arrests, the city's board of education still refused to nego-

tiate, a spokesman for the teachers union told *EIR*. The judge then released the teachers, inserted his own mediator into the negotiations, imposed the 1989-90 contract provisions, and threatened to jail the superintendent and the School Committee. These pronouncements came amidst rumors of imminent strikes by Teamsters and teachers around the state.

## University of Wisconsin drops 'speech code'

The University of Wisconsin has decided to abolish its "speech code," in response to the state Supreme Court's recent ruling overturning the state's "hate crimes" legislation. The model hate crimes legislation, which had been drawn up by the Anti-Defamation League, was one of the most advanced "sentencing enhancement" provisions, which increased sentences for criminal acts, if a thought crime of bias could be discerned, in some cases turning misdemeanors into felonies.

In 1989, the school became one of the first colleges to prohibit students and faculty from using politically incorrect language, such as "fag." However, after recent federal and state rulings against "hate crimes" laws, the university's board of regents voted 10-6 on Sept. 11 to abolish the speech code. "There was concern that it violated the First Amendment," said Patricia Hodulik, the university's senior counsel, who added that she believes other schools will follow Wisconsin.

## Court allows parents to terminate their children

The Michigan Court of Appeals issued the barbaric ruling Sept. 9 that parents are "empowered" to order that life-sustaining measures for their minor children be terminated. The decision upheld a lower court ruling from 1988 which permitted the parents of 12-year-old Jacqueline Rosebush to turn off her respirator, after she suffered brain damage in a 1987 auto accident.

The original court ruling was made after a county prosecutor obtained an order

blocking the parents' decision, when staffers at the child's nursing home reported signs of apparent recovery to authorities. A circuit court judge's ruling in favor of the parents enabled them to end her life on Aug. 13, 1988.

The Court of Appeals argued that, since parents may decide their children's medical treatment, and since "medical treatment includes the decision to decline life-saving intervention, it follows that parents are empowered to make decisions regarding withdrawal or withholding of life-saving or life-prolonging measures on behalf of their children." The prosecutor's decision not to appeal the ruling makes it law in Michigan.

## 'Small' nukes to be used against Third World?

According to internal briefings and memos of Los Alamos National Laboratory, in New Mexico, scientists and strategists are at work on a new generation of very small nuclear weapons for use against Third World nations, wrote William Arkin, military research director for Greenpeace in a *New York Times* editorial section column on Sept. 9. The new weapons being promoted, according to Arkin, include: 1) a 10-ton warhead ("micronuke") to destroy underground bunkers (explosive yield 10 times larger than the 2,000-pound conventional bombs used in the Gulf war); 2) a 100-ton antimissile warhead ("mininuke") to counter nuclear, biological, or chemical missiles; 3) a 1,000-ton "counter-projection force" warhead ("tinynuke") for attacks against ground troops.

Arkin concluded that the U.S., by contemplating the possible use of nuclear weapons in the Third World, is giving those nations a compelling reason to develop their own arsenals. Whether his report is accurate or not, considering the reliability and vested interest of the malthusian devotees at Greenpeace, his argument is coherent with the Anglo-American policy known as "technological apartheid," of denying all advanced scientific and technological know-how to the Third World, on the grounds that it might have "dual use" as weapons.

## Briefly

● **BILL CLINTON** addressed the national convention of the B'nai B'rith via satellite on Sept. 10, introduced by Anti-Defamation League Executive Director Abe Foxman. It is rumored that, while Clinton admits he spoke, he did not inhale.

● **H. ROSS PEROT** told Cable News Network on Sept. 11 that he may get back into the presidential race if Bush and Clinton "don't measure up," according to the *Chicago Tribune*. Perot is on the ballot in 45 states and may hit 50 states soon.

● **VIRGINIA'S** Supreme Court ruled on Sept. 8 against a motion brought by LaRouche associate Michael Billington to continue his state bond while he appeals his 77-year sentence to the U.S. Supreme Court. Billington was convicted of "securities fraud" in a blatantly political frameup.

● **FAT HENRY** Kissinger was reported in recent U.S. gossip columns to be boycotting a gala dinner celebrating the 70th anniversary of the Council on Foreign Affairs quarterly *Foreign Affairs*. Kissinger was said to be furious about a favorable one-paragraph review of a new biography of Kissinger which Kissinger regards as unflattering.

● **WILLIAM F. BUCKLEY** called for "American conservatives" to make "elementary concessions" to so-called "gay rights," in an editorial section commentary in the *Richmond Times-Dispatch* recently. The member of Yale's Skull and Bones Society called for fellow conservatives to extend "professional security for gays in all public employment," and in private employment except children's schools.

● **THE USIA** has been funding overseas junkets on the "qt" by Supreme Court justices, according to the *Washington Post*. Both Chief Justice Rehnquist and Justice Scalia went separately to Ireland. Justice O'Connor traveled to Rwanda in July to see the famous mountain apes.

## Editorial

### *Choose the LaRouche alternative, now*

The chaotic state of world currency markets is not only indicative of the depth of the present economic crisis in the West, but portends an even graver crisis afflicting western civilization as a whole. With the exception of Lyndon LaRouche and his associates, there is no one yet capable of implementing the kind of policies which can avert the debacle that we see before us.

The policy of the establishment in the United States, Great Britain, and continental Europe is still austerity—in other words, fascist economics. Though some may not like to admit it, fascist economics and fascist politics are inextricably intertwined. War, civil disorder, despair, and the end of the Christian values embodied in the Renaissance: That is the fate which looms, save only the possibility that the alternative afforded by LaRouche might prevail.

Lyndon LaRouche is a political prisoner of those same forces which have brought the world to the brink of hell. He is forced to remain in jail because these evil, stupid men continue to hold the reins of a despotic power which is ripping apart the conditions that would allow a decent, productive life for those now living and generations to come.

But more is at stake. LaRouche is needed now as never before, to be an active member of a policy group working to reverse the current policies and give the United States again a sound economic basis on which to rebuild industry and infrastructure.

It is no longer possible to sustain the world economic system by perception games and financial manipulations. What is needed is an investment policy directed by national governments. What is needed is an end to the Bretton Woods system, the evil International Monetary Fund, and the central banks associated with it—including the independent U.S. Federal Reserve System. There is no hope for the United States or any other nation which responds to the current crisis by further austerity measures—tax increases and budget cuts, such as have already destroyed the economies of Poland and Great Britain. These policies will only make things worse.

What has to be done, and the only alternative, is LaRouche's policy, which has been stated and restated over the past 20 years, and which he elaborated in a book-length work in 1982, *Operation Juárez*, as the only way to deal with the international debt crisis, which, as he accurately forecast then, would ultimately destroy the world monetary system.

At that time, he urged the nations of South and Central America to declare a moratorium on debt repayment in order to protect their economies from the ravages of usury. Eleven years earlier, in 1971, LaRouche forecast the breakdown of the Bretton Woods system, because of the turn away from real economic investment and into speculation and usury which had become the guiding features of the international monetary system, and which was ratified in August of that year by the United States, when the dollar was unmoored from its gold-based system of accounting and allowed to float.

As LaRouche and his associates foresaw—and tried to prevent—the world has now come to the point that a fascist policy is being imposed by people such as IMF Managing Director Michel Camdessus. We are entering a period of chaos, in which whole nations will be torn asunder—including the United States—if the LaRouche alternative is not taken.

To reverse this policy means to repudiate the evil myth that there exists such a thing as a "post-industrial" society. We must fire the economics professors who have peddled this insane advice to world political leaders, individuals such as Milton Friedman and his idiot successor Jeffrey Sachs—the monetarists, be they Keynesians or free trade ideologues, who have destroyed the ability of nations to produce the means by which their peoples could acquire the most basic necessities of life.

We must get back to the ABCs of physical economy, as spelled out by Alexander Hamilton, Friedrich List in Germany, and Charles de Gaulle in France. We must choose the policies of Lyndon LaRouche, and free him to be able to implement them, before it is too late.

# SEE LAROUCHE ON CABLE TV

## ALASKA

- ANCHORAGE—Anchorage Community TV Ch. 46  
*The LaRouche Connection*  
Wednesdays—9 p.m.

## CALIFORNIA

- MODESTO—Public Access Bulletin Board Ch. 5  
*Genocidal Roots of Bush's New World Order*  
Thurs., Oct. 1—6:30 p.m.
- MOUNTAIN VIEW—MVCTV Ch. 30  
*Michael Billington: Political Prisoner*  
Thurs., Oct. 1—9 p.m.  
*The Lessons of Versailles*  
Thurs., Oct. 15—9 p.m.
- SACRAMENTO—Access Sacramento Ch. 18  
*LaRouche's Motion for Freedom*  
Wed., Oct. 7—10 p.m.

## DISTRICT OF COLUMBIA

- WASHINGTON—DCTV Ch. 34  
*The LaRouche Connection*  
Sundays—12 noon

## ILLINOIS

- CHICAGO—Chicago Cable Access Ch. 21  
*Bush's Genocide*  
Wed., Sept. 30—8 p.m.

## MARYLAND

- MONTGOMERY COUNTY—MCTV Ch. 49  
*The LaRouche Connection*  
Thursdays—2:30 p.m.  
Saturdays—10:30 p.m.
- PRINCE GEORGE'S COUNTY—PGCTV Ch. 15  
*The LaRouche Connection*  
Mondays—9 p.m.
- WESTMINSTER—Carroll Community TV Ch. 55  
*The LaRouche Connection*  
Tuesdays—3 p.m.  
Thursdays—9 p.m.

## MICHIGAN

- TAYLOR—MacLean-Hunter Ch. 3  
*The LaRouche Connection*  
Tuesdays—7:30 p.m.

## MINNESOTA

- MINNEAPOLIS—Paragon Ch. 32  
*EIR World News*  
Wednesdays—6:30 p.m.  
Sundays—9 p.m.

## NEW YORK

- BUFFALO—BCAM Ch. 32  
*The LaRouche Connection*  
Tuesdays—6 p.m.

## DANSVILLE—

- Cooney Cable Ch. 6  
*The LaRouche Connection*  
Wednesdays—afternoon  
Fridays—afternoon

## MANHATTAN—

- Manhattan Cable Ch. 17D  
*The LaRouche Connection*  
Fridays—6 a.m.

## QUEENS—

- Queens Public TV Ch. 56  
*The Oil Weapon*  
Mon., Sept. 28—3 p.m.  
*The Holes in the Ozone Scare Hoax*  
Tues., Sept. 29—3 p.m.

## ROCHESTER—

- Greater Rochester Ch. 12  
*The LaRouche Connection*  
Thursdays—7 p.m.  
Greater Rochester Ch. 19  
*The LaRouche Connection*  
Sundays—11 a.m.  
Mondays—7 p.m.

## TEXAS

- HOUSTON—Public Access Ch.  
*The LaRouche Connection*  
Mondays—5 p.m.  
*Who Owns Your Congressman?*  
Wed., Sept. 29—11 a.m.  
Thurs., Oct. 1—2 p.m.  
Fri., Oct. 2—7 p.m.  
Tues., Oct. 6—11 p.m.

## VIRGINIA

- ARLINGTON—ACT Ch. 33  
*The LaRouche Connection*  
Sundays—1 p.m.  
Mondays—6:30 p.m.  
Wednesdays—12 noon
- CHESAPEAKE—ACC Ch. 40  
*The LaRouche Connection*  
Thursdays—8 p.m.
- CHESTERFIELD COUNTY—Storer Ch. 6  
*The Schiller Institute Show*  
Tuesdays—9 a.m.
- FAIRFAX COUNTY—Media General Ch. 10  
Wednesdays—6:30 p.m.  
Fridays—2 p.m.  
Sundays—6 p.m.
- LEESBURG—MultiVision Ch. 6  
*The LaRouche Connection*  
Mondays—7 p.m.
- RICHMOND & HENRICO COUNTY—Continental Cable Ch. 31  
*The Schiller Institute Show*  
Thursdays—6:30 p.m.

## WASHINGTON

- SEATTLE—Seattle Public Access Ch. 29  
*The LaRouche Connection*  
Sundays—1 p.m.

# Executive Intelligence Review

U.S., Canada and Mexico only

1 year . . . . .	\$396
6 months . . . . .	\$225
3 months . . . . .	\$125

Foreign Rates

1 year . . . . .	\$490
6 months . . . . .	\$265
3 months . . . . .	\$145

I would like to subscribe to  
*Executive Intelligence Review* for

1 year  6 months  3 months

I enclose \$\_\_\_\_\_ check or money order

Please charge my  MasterCard  Visa

Card No. \_\_\_\_\_ Exp. date \_\_\_\_\_

Signature \_\_\_\_\_

Name \_\_\_\_\_

Company \_\_\_\_\_

Phone ( ) \_\_\_\_\_

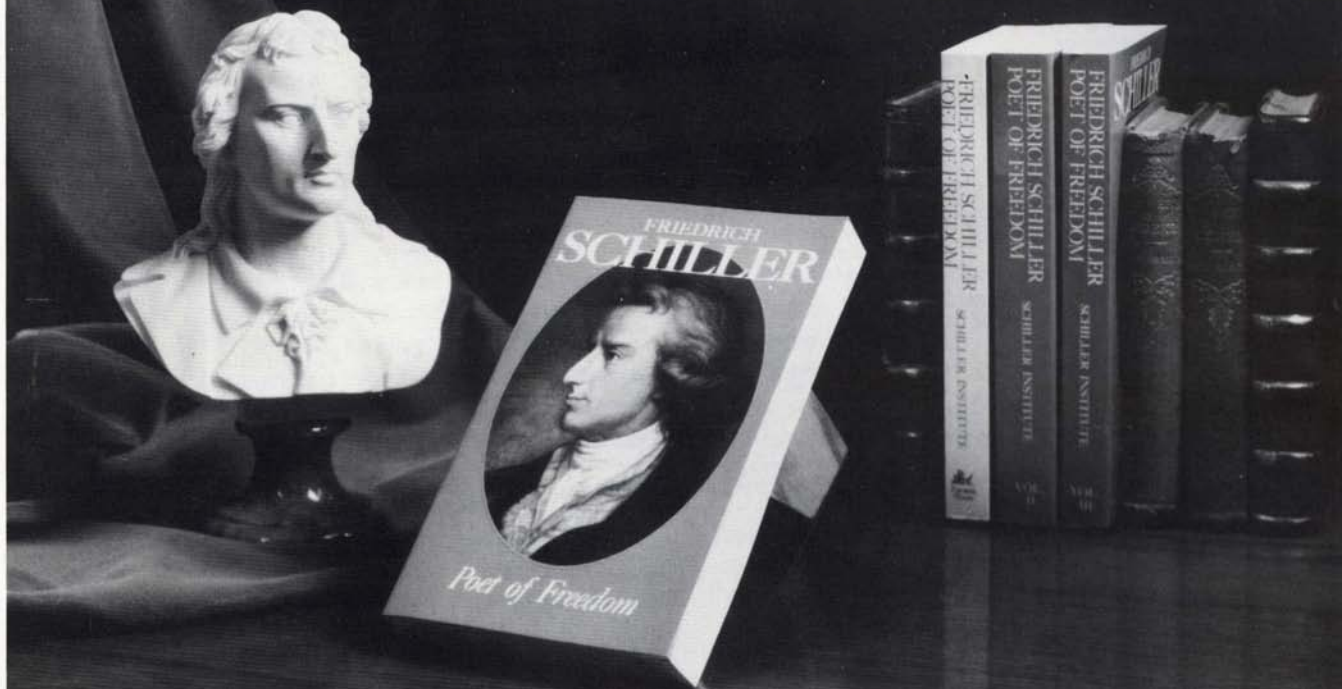
Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_

Make checks payable to EIR News Service Inc.,  
P.O. Box 17390, Washington, D.C. 20041-  
0390.

A True Golden Renaissance Is a Creation, Not an Accident!  
Read the Works of the Poet of Freedom and learn how it is done!



## *Friedrich Schiller: Poet of Freedom*

Selected works in a new English translation.

The writings of Friedrich Schiller, the great 19th-century poet, playwright, historian and philosopher, have inspired republican revolutions from Beethoven's time to Tiananmen Square.

### **VOLUME I**

Don Carlos, Infante of Spain  
Letters on Don Carlos  
Theater Considered as a Moral  
Institution  
On the Aesthetical Education of  
Man  
The Ghost Seer  
Poetry and Epigrams

\$9.95

### **VOLUME II**

Wilhelm Tell  
What Is, and to What End Do  
We Study  
Universal History?  
The Legislation of Lycurgus  
and Solon  
On Grace and Dignity  
Poetry, including The Song of  
the Bell

\$15.00

### **VOLUME III**

The Virgin of Orleans  
Philosophical Letters  
On the Pathetic  
On the Sublime  
On Naïve and Sentimental Poetry  
Poetry and Ballads

\$15.00

**SPECIAL OFFER:** Buy the three-volume set for only \$34.50.

Make check or money order payable to:

***Ben Franklin Booksellers***

107 South King St., Leesburg, VA 22075 phone (703) 777-3661 fax (703) 777-8287

Shipping and handling: Add  
\$4.50 for one book, plus \$.50 for  
each additional book.

Visa and MasterCard accepted