

# EIR

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Economic paralysis reigns in Washington  
New hypothesis shows geometry of atomic nucleus

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happened on schedule



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# EIR

## From the Editor

It has been a "record" week as we go to press on Oct. 24. First, on Monday, there was the crash of the New York stock market, and its reverberations around the world, which only a total fool would imagine have ended.

Then, on Friday, Oct. 23, there was the shock of the announcement that George Shultz had failed to obtain in Moscow the expected agreement on an INF treaty, a Reagan-Gorbachov summit, and the Strategic Defense Initiative.

In between, occurred the bizarre events of Boston, Massachusetts, where the trial of *U.S.A. v. The LaRouche Campaign, et al.*, had been expected to begin on Oct. 20. Suddenly during the course of the week the issue of the Central Intelligence Agency's relation to the political vendetta against presidential candidate Lyndon LaRouche, emerged forcefully into the center stage of the case, as the article on page 63 develops. And the trial of LaRouche and his associates, severed from the case of Roy Frankhauser, was postponed.

We don't know the connection among these events. One thing is clear, and that is that LaRouche's leadership is urgently needed by the United States, and the West as a whole. In his 1984 presidential campaign, which certain "Olympians" never wanted him to run, he warned of a threefold crisis: economic/monetary, strategic, and moral. The evidence of that crisis can no longer be denied by anyone.

Not surprisingly, this week we have far exceeded our usual guideline of devoting at least one-third of each number to the economy. We refer readers first to the three articles by contributing editor Lyndon LaRouche on the October financial crisis, in the *Feature*, *Economics*, and *National*, written on Oct. 17, 21, and 23, respectively.

With respect to the moral crisis which underlies the other two, we are pleased to point out three special contributions touching on the theme of political and scientific leadership: the interviews with Dr. Robert Moon, one of America's pioneer fusion scientists, and with retired Gen. Paul Albert Scherer, formerly of West German military intelligence; and the centerfold tribute to the late Prime Minister Indira Gandhi of India, on the third anniversary of her outrageous assassination.

*Nora Hamerman*

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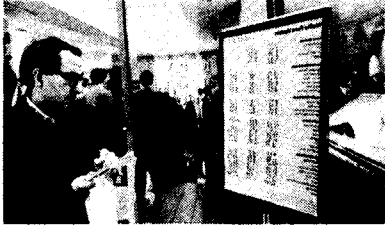
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## Preparing for the next shoe to drop

by Chris White

The wipe-out of some one-and-a-half to two trillion dollars worth of equity in U.S. markets over the period since Aug. 25 hasn't been enough to teach the ayatollahs of U.S. economic policy, including Alan Greenspan at the Federal Reserve, or James Baker at the Treasury Department, too much of anything. The two hated hatchetmen are now exhibiting the same kind of obsessional psychosis as Iran's mullahs, following the prescripts in their sacred texts, and preparing for further, greater disasters to come just ahead.

That greater disaster may, according to U.S. Democratic candidate for President Lyndon LaRouche, be another 6.5 quake on the financial Richter scale, as was Wall Street's more than 500-point collapse on "Black Monday," Oct. 19, or, depending on how stupidly they insist on continuing to act, and other political circumstances, it could also be the projected "Big One"—the 8-10 shock on the scale, that would bring down approximately half of the remaining \$15 trillion worth of debt obligations, of one sort or another, floating around in world markets.

LaRouche, who in late May predicted the October developments, thinks the "Big One" could erupt in early November, but could also be delayed, perhaps into December or January, but certainly not beyond the end of March.

### **Routine official malfeasance**

The typical knee-jerk reactions that have prevailed within the United States since Black Monday would lead one perhaps to select the earlier part of that timeframe rather than the later. But there again, the obsessional features of the Baker-Greenspan approach aren't the only functions at play.

The knee-jerk was the psychological warfare reaction known as a cover-up. U.S. markets, since Black Monday, haven't been quite the same. Only one year ago, "insider traders" were routinely being dragged in handcuffs from their trading offices by U.S. Attorney Rudolph Giuliani's arresting

teams, for doing the kind of things that the Federal Reserve and regulatory agencies have insisted become routine in the days since the crash. Lawsuits, whose subject will be that kind of criminal fraud, are already being filed against trading houses and regulatory agencies, for the indicated type of money-losing malfeasance.

Indexes like the fabled Dow Jones, are being routinely rigged to create the appearance of recovery. Whole markets are routinely shut down for hours at a time. Stocks of major corporations, appearing as sales, are routinely kept off the markets, until buyers are found, or as a last resort, the issuing corporation is persuaded to swallow the sale itself. The Federal Reserve, implementing Greenspan's Oct. 20 promise that the Fed would make credit available, is purchasing such corporations' bond issues to make such repurchases possible. That is beyond the dipping into operating funds, which according to brokerage houses, is also going on.

Overall, that technique, well-known to New York election officials in cases of disputed results at the polls, the "FUBAR" principle, has been brought into play to cover up the trail. By the end of the week, it was being said that no one really knew what had happened earlier. The volume of sales had outstripped the clearance system's capacity. Dealers were not able to say who had sold what to whom, or what prices had been at the time of the transaction.

### **In the footsteps of Herbert Hoover**

This has all been seen before, in the final weeks of 1929. So has the equally insane political so-called reaction to the crash. The administration's insistence that economic fundamentals remained sound, even if Joe Biden was not involved, was still lifted almost word for word from the speeches of the Herbert Hoover. Demands from financial circles, in Europe, Japan, and the United States, for "structural adjustments," including deep budget cuts and tax increases, overlooking

the reality that about \$100 billion was knocked out of the Treasury's revenue stream for the current fiscal year, also echo the same insanity that was implemented between 1929 and 1931. Even the announcement by poor old President Reagan, of the formation of an independent commission, under George Bush's associate Nicholas Brady from Dillon, Reed, was a repeat of a commission formed by Congress after Black Friday in 1929. That competition to emulate the ill-fated Hoover will produce just what it did before: disaster.

Except this time it will be worse. In 1929, the United States still exported net some 10% of its total output on an annual basis. Now, the United States is dependent on imports for some 25% of the combined consumption of its industries and households.

Those who insist on following in the footsteps of Hoover are blind to the simple reality that the Reagan administration's touted economic recovery never happened. It was produced by the application of the same ruthless methods of fraud, deceit, and psychological manipulation that have been employed since "Black Monday" to create the appearance that all is returning to normal.

It isn't. The United States has been leading the world into a new great depression since 1980: 1) Industrial production, in market basket terms, is below the levels that prevailed in the late 1960s-early 1970s; 2) household consumption levels have fallen correspondingly; 3) infrastructure suffers an estimated \$3 trillion deficit accumulated since the early 1970s.

The cultivated hedonistic lifestyle of the "yuppie" generation has appeared to disguise the second of these. The proliferation of service industry employment, subsidized by loot and tribute extorted from U.S. trading partners in the developing and advanced sectors, has offset the decline of the first.

Since 1980, the United States has economically functioned at below the break-even levels necessary to ensure continued economic activity. There has been no net profit accruing to productive U.S. economic activity. Onto that collapse has been added, at an accelerating rate since the summer of 1982, some \$14-15 trillion of debt, the by-product of Donald Regan's "innovative" financial practices. This is reflected in the approximately \$7 trillion of "securitized" banks' and investment houses' off-balance-sheet liabilities, the proliferation of all forms of consumer-related debt, and of course, the growth of the so-called "twin deficits," the federal government's deficit, and the trade deficit.

As far as the powers that be are concerned, this has nothing to do with anything. Until "Black Monday," it couldn't even be discussed, without dire threats of horrible consequences directed at whoever happened to bring it up. Hoover's mind didn't stretch so far either.

The debt bubble began to burst in early August, when, under the direction of the Bank for International Settlements, central banks began to selectively increase rates of interest on certain classes of paper. The combination of rising interest

rates, and an actually falling dollar, set off a chain-reaction liquidity squeeze, in which collapsing bond markets efficiently began to vacuum available funds out of equity markets. The results were seen in the second and third week of October.

The economic ayatollahs learn from their sacred texts, among them Milton Friedman's contribution to the National Bureau of Economic Research's study of the 1929 crash, that the Federal Reserve did not respond to that crash quickly enough, or with a sufficient volume of credit. They therefore make hyperinflationary volumes of credit available to the banks and corporate customers whose demise would indeed signal to the world what economic fundamentals in the United States are really like; thereby doing what the textbooks say has to be done to avoid a repeat of 1929.

And they thereby ensure that it does happen. The lowering of interest rates will not set off a rally in bond markets, it will increase the volume of paper in circulation chasing diminishing returns. It merely functions as a prelude to the next level of unraveling of the financial system, a prime target for which would be the Eurobond market, centered in London. That's where the banks and investment houses go to buy and sell the paper known as off-balance-sheet liabilities, and play on the interest rate differences between London and other markets to do so.

Effectively, bond market interest rates in London set a floor below which U.S. interest rates cannot fall, without triggering a massive capital outflow from the United States and a dollar crisis to boot. Actually, U.S. interest rates do not have to fall to that level to accomplish the same.

It may well be that the fallout of the disaster around the world, centered in the collapsed option-indexed futures markets of Hong Kong, Amsterdam, London, and Chicago, has already destabilized a sufficient volume of funds to ensure that as settlements come due, the collapse begins to spread rapidly to the money markets, and then to the real estate markets, which effectively, if indirectly, underlie the money markets. In the United States, the futures markets fell about 20% more than the equity markets, to a level of about 1200 on the old Dow. And the United States is probably not atypical of the cited collapsed markets.

In that case, the Big One, so-called, would most likely come earlier. Or it may be that that hole can be filled by the methods adopted so far by the Baker-Greenspan team. The "Big One" might be delayed.

Either way, if people, inside or outside the United States, continue to act out the intent of the psychological warfare coming from the Baker-Greenspan team, and thereby choose to follow in the footsteps of Hoover, they will also be choosing the course which makes the advent of the "Big One" more or less a certainty, whenever, in the period between now and March, it does actually hit. The old prescriptions and texts are capable of producing nothing else, no matter who demands they be implemented.

# Establishment Olympos defies God in stock-market hoax

by Lyndon H. LaRouche, Jr.

On Oct. 20, although the New York stock market joined markets around the world in plunging to new lows, the Dow Jones Index rose by a reported 102 points. The rise was caused by Federal Reserve chairman Greenspan's pouring uncounted billions of printing-press money into banks, brokerage house, and blue-chip corporations. The 30 stocks used to compute the Dow Jones Index rose, and a few other selected blue-chips as well, while the market as a whole actually fell.

This sort of cosmetic cover-up has been typical of Reagan administration response to problems of the U.S. economy since the end of 1982. The entirety of what the President has called "59 months of recovery" is based upon nothing but the same kind of manipulation of economic indices seen on the New York Stock Exchange on Oct. 20.

Some might call this continuing use of calculated deception "a corrupt practice." Unfortunately, something worse than corrupt political motives is involved. The administration actually believes, as do many so-called economic experts, that "psychology" is the dominant factor in shaping the ups and downs in not only the stock market, but the economy as a whole. The administration actually believes that "talking up prosperity" will cause prosperity, and that depressions are prevented by concealing anything which might be read as "bad economic news."

For that reason, the administration might sincerely believe that its worse-than-useless manipulation of the Dow Jones Index on Oct. 20 will "cause a recovery."

This sort of bungling must be rooted out of our government, urgently. It is important that we not be so simple-minded as to imagine that the Reagan administration invented the deluded practice under which it has been operating. We must locate the roots of this sort of practice, and uproot them; otherwise, we are unlikely to find a cure for the economic collapse which is overtaking us.

Our institutions and citizens would not tolerate that sort of manipulation for an instant, except for the postwar conditioning of our people, to accept the idea that whatever popular opinion believes is true, is true.

## Reagan economic policy as 'psy-ops'

Walter Lippmann's famous and influential *Public Opinion* illustrates the point; "psychological warfare" techniques for manipulating popular opinion were already in progress during the 1920s. Over the post-war period, especially the recent 25 years, U.S. policy-shaping has been dominated by the increasing perfection of techniques of "psy-ops."

Television broadcasting reduced the portion of advertising income flowing into the print media. The effectiveness of "psy-ops" manipulation of news media was increased by near elimination of political competition in news coverage. The depth of journalistic work by news media was cut back heavily. The wire services, television news coverage, and a handful of major dailies came to exert a monopoly over press opinion on major areas of national and foreign developments. A handful of witting figures placed in key positions could shape the editorial policies of thousands of local print and electronic media, even without the local media being aware of the fact that their editorial policies were being controlled in this way.

The news and entertainment media were enabled to secure almost fine-tuned control over what was called the "free public opinion of a democratic society." To that degree, Orwell's 1984 was becoming an ugly, utopian reality.

I know how our media are controlled so, through my own involvement in intelligence work internationally, through my knowledge of the decisive breaking events on a national and world scale, and through tracing out the way in which coverage of my activities has been the victim of a centrally orchestrated falsification for more than 15 years.

During the summer of 1986, I was called a "political extremist" as a result of my fight with Hollywood liberals such as Elizabeth Taylor over the issue of applying existing public-health law to AIDS. From that time on, nearly every news outlet in the United States put the label "political extremist" in front of my name. Similarly, nearly every news channel, since October 1979, has devoted the largest portion of its coverage of me to repeating the lurid charges copied ritually from the pen of drug-lobby spokesman Dennis King.



This is by itself conclusive proof of broad news-media complicity in a centrally coordinated "psy-ops" operation.

A majority of the U.S. citizenry has been quite literally "brainwashed" by a corrupt, controlled news media. More and more, the quality of the journalists employed by the news media are younger persons turned out by centers such as the Columbia University School of Journalism, persons whose lack of traditional moral standards suits them to employment by what the news media have become during the past 20 years.

This has become the chief instrument through which manufactured real and fictitious scandals have been the means to orchestrate elections, manipulate governments, and corrupt the processes of justice at the federal, as well as state and local levels. Successful politics has become the art of becoming part of this "psy-ops" system built up around the controlled news and entertainment media.

The Reagan administration is not to be singled out for blame, when it plays this game in the way it responded to "Black Monday's" worldwide stock-market crash.

### When will it end?

From his grave, the great tragedian Aeschylus is laughing, while the chief character of his most famous drama, "Prometheus," nods agreement. Seeing the way in which official Washington has reacted to "Black Monday," Aeschylus and Prometheus comment: "So do the mighty gods of Olympus fall, as the price of their long defiance of the Creator."

There is an international concert of very wealthy families, which is the most powerful component of the ruling U.S. liberal establishment. These include the royal and aristocratic families of Europe; they also include untitled sorts of noble financier families, in the U.S.A. and Europe, modeled upon the noble families of Venice.

The biological members of these families play less and less a policy-shaping role in the destiny of nations. The effective power lies less with vast, interlocking financial corporations, such as family trusts and foundations, all modeled upon the Venetian institution known as the *fondo*.

These *fondi* are administered by a combination of elite law firms and financial-management organizations. The leading figures in such legal and management enterprises are the ones who actually shape the policies of the families' *fondi*.

The hierarchy of power is organized in financier syndicates, for which the vastly powerful reinsurance cartels of Venice are the top-most ranking power today. The power runs through lesser, but vastly powerful reinsurance cartels. Under all normal conditions, these reinsurance cartels take no capital risk, and therefore enjoy an infinite rate of return on their net operating and capital-gains incomes.

Below these lie the ordinary major banking cartels, coordinated through powerful investment-banking institutions.



Supporters of Lyndon LaRouche at a Wall Street rally, Oct. 20, 1987.

There is a monopoly on world trade in, and prices of food, run chiefly through Switzerland, as one branch operation of this complex of *fondi*. For the past 30-odd years, this food cartel has run the U.S. Department of Agriculture, for example, as it does under such accomplices of Cargill, Armand Hammer, and Dwayne Andreas as Secretary Richard Lyng today.

Of course, the biological heirs of these *fondi* are highly mortal, and have become more mortal than usual since the AIDS epidemic discovered the sexual practices common among the international chic set. The personality of the families lies in the corporate form of the families' existence, the *fondi*-like institutions. It is the *fondi*, juridically the Roman-style *pater familias* of the family, which is the true personality of the family as a power. It is the managers of the *fondi*'s interests, who are the center of power.

The corporate form of these families is an aristocratic ruling class, sitting above the governments of Western Europe and the Americas. As a class, it is a distinct social species; but, except in matters it sees as representing the vital interests of its social-class species as a whole, it is often divided in its policies. The various factions and families within the class tear and bite one another routinely, with theft and murder commonplaces of inter-family dealings. In these and related respects, this social class is a real-life imitation of the mythical gods of Olympus.

Contrary to the socialist propagandists, this is not a capitalist class. It is traced directly to the ruling social class of

ancient Mesopotamia, the social class against which the American Revolution was fought. The system of political-economy which this social class has sought to impose and defend, since the ancient Chaldeans and Phoenicians, is based on a system of usury first known to have been established in ancient Mesopotamia and Phoenicia.

It divides society between ordinary people, as subject nations and individuals destined to pay usury to the *fondi*-like family class, and the ruling aristocrats and Tyre-like, Venice-like financier-nobles, who collect the proceeds of usury in such forms as ground-rent, speculative profits on trading monopolies in raw materials, and financial usury. The system of usury is not only an economic relationship between the ruling class and the ruled; it is also a social and a political relationship.

Although the American Revolution was accomplished by those who sought to create the United States as a republic freed of the grip of such an aristocratic social class, by the time of the 1776-83 War of Independence, the families of American Tories associated traditionally with Harvard, Yale, and Princeton today, families allied with the British and Dutch East India Company then, were a powerful minority. Through a series of onslaughts, aided by great wealth acquired in the African slave-trade and the China opium-trade, this class of former American Tories of the 1763-1815 conflicts with the British House of Hanover became, by the time of President Theodore Roosevelt, a ruling social class of "patricians" viewing themselves as a ruling class of the Roman imperial type.

They became, together with their like in Western Europe, a real-life aristocratic social class in the image of the doomed mythical gods of Olympos.

## The doom of Olympos

In Aeschylus' famous tragedy, Prometheus' warning to the gods of Olympos, his oppressors, is that they have set themselves up as gods, ignoring and defying the real God the Creator. Since the Olympians have had great success in playing their dirty tricks upon nations and persons, the ruling families of Olympos have come to imagine that there is no power over man and nature greater than the power of their own capricious whims.

Prometheus warns: By acting in defiance of the laws of the Creator, you would-be gods of Olympos have set your wills into defiance of the laws which the Creator has embedded in the universe. The result of such defiance will always be, that those who set themselves up as gods in this way, will be destroyed. The destruction of Olympos will occur, not as an arbitrary act of will by an angry Creator; the destruction will be wrought automatically, through the efficient laws which the Creator has built into the design of the universe.

That is the significance of "Black Monday." The Reagan administration's monetary and economic policies have been in defiance of the laws of nature. U.S. agriculture and man-

ufacturing were deliberately collapsed, to enrich speculators. The basic economic infrastructure of the United States, upon which the productive power of labor depends, has been rotted away. In sections of our cities looking more like the bombed-out cities of 1945 Europe, people driven into the depths of wretchedness, fight for existence with rats, roaches, and disease. Similarly, these same policies have crushed the economies of the traditional trading partners of the United States, especially since October 1982.

The ability of the average person to survive on this planet, and within the United States itself, has been savagely depleted, for sake of what the Reagan administration has regarded as the desirable greater paper profits of a relatively small gang of rentier-financier interests. The President has ignored the plight of the many, to praise the nominal wealth of the few as "59 months of unbroken prosperity."

The Reagan administration expresses this as a commitment to a set of adopted policies. Whoever supports these policies is considered "loyal," and "one of the good guys." Whoever casts doubt on these arbitrary choices of ruinous policies, is treated as an adversary, "one of the bad guys."

Meanwhile, I, like Aeschylus' Prometheus, have warned that these policies are leading to precisely the sort of doom of Olympos which exploded on "Black Monday." As early as May 1987 I even supplied what is now proven to have been the correct date for the first eruption of a general collapse of the international financial bubble, the biggest international financial crash in history.

How did the President respond? Week after week, he delivered nationwide addresses, not naming me, but denouncing as "doom-sayers" those who issued statements unique to me.

When the crisis struck, his administration still refused to face reality. Instead, he responded in the worst possible way, ordering the Federal Reserve System to unleash the forces of potential hyperinflationary explosion.

The President does not believe that the laws of physical cause and effect operate to govern the amount of useful goods produced and consumed per capita. While the real economy has been collapsing, because of his policies, he has seen the growth of a pure financial bubble on financial markets as a measure of "economic growth." In other words, he has served the arbitrary whims of the rentier-financier gods of Olympos in defiance of the Creator.

All "psy-ops" is based on the same defiance of the Creator. "psy-ops" is a technique for brainwashing popular opinion into believing that something unreal is true, in order to prevent popular opinion from reaching conclusions based on the simple realities of experience. The object is to make people the kinds of utopian slaves Orwell describes in his famous *1984*, by inducing people to accept the habit of believing what the news and entertainment media tell them to believe, and to reject as incredible any facts which are in contradiction to such psy-ops-manufactured popular opin-

## Black Tuesday 1929: just a 'correction'

Even a cursory look into the archives of the 1929-33 period, following the crash of the stock market in October 1929, reveals some striking parallels to the responses of today's elected officials and "financial analysts":

**Oct. 22, 1929.** Professor Irving Fisher of Yale: "Even in the present high market the prices of stocks have not caught up with their real values. Yesterday's break was a shaking out of the lunatic fringe that attempts to speculate on margin."

**Oct. 23, 1929.** Stocks fell sharply.

**Oct. 24, 1929.** Charles E. Mitchell of National City Bank: "This reaction has badly outrun itself."

**Oct. 24, 1929.** *New York Times*: "Confidence in the soundness of the stock market structure notwithstanding the upheaval of the last few days was voiced last night by bankers and other financial leaders."

**Oct. 24, 1929.** Thomas W. Lamont of J.P. Morgan and Co.: "Prices of many important issues had been carried down below the levels at which they might be fairly expected to sell."

**Oct. 25, 1929.** President Herbert Hoover: "The fundamental business of the country, that is, production and distribution, is on a sound and prosperous basis."

**Oct. 26, 1929.** Stocks again fell sharply.

**Oct. 29, 1929.** Stocks plunged wildly. John D. Rockefeller announced that conditions were fundamentally sound, and he was buying stocks.

**Oct. 30, 1929.** John J. Raskob, Democratic Party

National Chairman, in a statement in the *New York Times*: "Prudent investors are now buying stocks in huge quantities and will profit handsomely when this hysteria is over and our people have opportunity in calmer moments to appreciate the great stability of business by reason of the sound fundamental economic conditions in this great country of ours."

**Nov. 18, 1929.** William Green, president of the American Federation of Labor: "The Federal Reserve System is operating, serving as a barrier against financial demoralization. Within a few months industrial conditions will become normal, confidence and stabilization in industry and finance will be restored."

Mass unemployment then struck American labor. Banks collapsed throughout the world.

**Oct. 22, 1932.** Detroit, Michigan. Speech of President Herbert Hoover: ". . . the tide has turned and the gigantic forces of depression are in retreat. Our measures and policies have demonstrated their effectiveness. . . . Recovery would have been faster but for four months of paralysis during the spring months while we were defeating proposals of the Democratic House of Representatives to increase governmental expenses by \$3.5 billion. . . ."

"Manufacturing production has increased by ten percent. . . . The Department of Commerce shows that over 180,000 workers returned to the manufacturing industry in August, 360,000 more in September. . . ."

**1932.** Campaign slogan of President Herbert Hoover: "Prosperity is just around the corner."

The Great Depression increased in its fury, continuing until 1939. Then President Franklin Roosevelt, in defense preparations, geared up the peacetime economy, deliberately promoting industrial development with cheap credit and government contracts.

ion.

"All my friends believe," becomes the means by which the credulous, half-brainwashed citizen argues against any facts which contradict a psy-ops-manufactured "popular opinion."

The President believes that "Black Monday" was not caused by anything real, but only by "bad psychology." So, he considers it perfectly proper to fake the Dow Jones statistics by inflationary manipulation of markets, to cause a correction of "bad psychology."

"We will not lose the war, as long as we continue to believe we are winning it," is the famous policy of Nazi Propaganda Minister Josef Goebbels, from the beginning of 1943 onward, almost to the end. So, the White House believes that the inevitability of the biggest international financial crash in history can be prevented simply by a few sleight-

of-hand tricks of manipulating opinion expressed by the nightly news media dispatches.

So, "whom the gods would destroy, they first make mad." Prometheus' warning now stares us in the face.

It might still be possible for some of the establishment to come to its senses, and rally behind the emergency measures of reform I have proposed. In that case, they and the nation would survive this crisis. In that case, they would survive, not as gods of Olympus, but as a part of a revived American System of political-economy. Otherwise, Olympus and the rest of us are likely to be carried deep into the pits of crisis.

If we wish to survive, we had better quickly recognize that President Reagan's present policy, like George Bush's presidential campaign, is a delusion; we had better act quickly to ensure that we do not come down together with our modern would-be gods of Olympus.

# Stock crash promotes revival of Ibero-American debtor unity

by Mark Sonnenblick

The countries of South and Central America have often been devastated by earthquakes. But the quake which hit the world stock markets on Oct. 19 may shake loose a solution for the Great Depression those countries have suffered since 1982 because of their \$385 billion foreign debt.

They have often had to listen to Treasury Secretary James Baker III, bankers, and other characters sanctimoniously lecture them that they had no option but to “restructure your economy so as to create investor confidence.” Most countries have applied International Monetary Fund (IMF) austerity prescriptions, which have never restored “investor confidence,” much less brought needed economic growth.

“The strategy designed by creditor countries and banks to solve the debt problem has failed,” declared Carlos Pérez Castillo of the Latin American Economic System (SELA). He calculated that the “unprecedented industrial recession” caused by debt policies, shrinking international markets, and lack of access to advanced technology has cut the region’s industrial production by \$50 billion from what it would be, if the 5.7% annual growth which prevailed from 1975 to 1980 had been continued.

The prices received for Ibero-America’s exports (excluding oil) are lower in real terms than in 1932, the nadir of the Great Depression. Those prices dropped 12% in 1986 and by 9% more this year, before the stock market crash sent prices for metals and other commodities consumed in the developed countries tumbling. That puts debtors trying to earn dollars to pay debt on a treadmill. Even Peru, which has bucked U.S. Treasury Secretary James Baker III by limiting debt payments, is now finding it hard to shield its people from the crisis. The Mexican and Argentine governments, in contrast, are still banging their heads against the wall with one program after another to reduce consumption and starve their populations in order to export enough to pay part of their interest bills.

Now, confidence in the United States economy has been irredeemably shattered, even if the stock market bubble were pumped up again. It will be difficult to repeat the gambit used

by Baker, and his predecessor Donald Regan, of stringing along debtors with promises the United States would buy more of their exports and “threats to lend” by the banks. If the banks were reluctant to lend new money to pay old principal and interest before, they are now both unwilling and unable. And—everybody knows it!

Mário Henrique Simonsen, the Citibank international vice president (who as Brazilian finance and planning minister borrowed much of its \$112 billion debt) was reached in New York Oct. 19 by the Brazilian daily *Folha de São Paulo*. He commented, “What is really happening is a great panic that will inevitably lead the United States to inflation and recession; and that will be harmful for Brazil, dragging it, too, into recession.”

If the United States were to follow IMF-style advice to cut the budget and reduce imports, it would guarantee that all the Third World debtors default, just as they did in similar circumstances in 1930-33.

And why not? “In 1980, the total Ibero-American debt was \$250 billion; Ibero-American countries have paid the North \$150 billion since then, but the debt is now \$400 billion,” Peruvian ambassador Carlos Alzamora observed to the United Nations Oct. 9. He concluded, “That strange arithmetic cannot be accepted by our population, because when they discover that 250 minus 150 equals 400, they feel they have been tricked and mocked.” The floating interest rates they pay went up 1.5% from August to October, adding another \$6 billion annually to Ibero-America’s already unbearable interest burden.

## Brazilian debt showdown

On or around Oct. 26, the Interagency Country Exposure Risk Committee, will meet in Washington to decide whether American banks have to downgrade the \$25 billion worth of Brazilian debt in their portfolios. Brazil declared a moratorium on interest payments on more than \$70 million in medium-term debts to foreign bankers Feb. 20. That interest has been piling up at the rate of \$450 million per month in blocked

accounts at Brazil's central bank. Under U.S. banking regulations, a debt not serviced for six months becomes "non-performing." If those regulations were enforced Oct. 26, the major U.S. banks would have to charge losses of over \$2 billion on their fourth quarter balance sheets.

The bankers were suffering the jitters even before the value of their stocks fell by a third in mid-October. A senior New York bank executive told UPI Oct. 20, "The bankers more than ever need Brazil to suspend its moratorium. If [the banks] have to reclassify their loans, their stocks will fall more." The banker warned that if Brazil tried to "take advantage of the situation," the banks could retaliate by taking measures such as "cutting off credits in the future." The bankers cut off all new lending to Ibero-America for productive purposes in 1982.

An officer on the 14-bank Brazil Bank Advisory Committee, which has been meeting at Citibank, and the Arnold and Porter law firm with Brazilian negotiators, asserted, "There has to be a substantial payment, and we stress the word substantial. . . . It should be \$600 to \$900 million; and Brazil has the money now." Japanese banks gave similar ultimatums, but their Sept. 30 deadline passed with no payments. They are now writing off part of their Brazil debt.

Brazilian Finance Minister Luiz Carlos Bresser Pereira responded in São Paulo Oct. 16, "Those bankers who think the token payment would be the same as suspending the moratorium are fooling themselves. There are banks which are considering the hypothesis that Brazil would pay two months of interest, equivalent to \$900 million, and that it would start to pay interest monthly. That is not a symbolic payment, but the normalization of payments; and that is not what the country intends. Suspension of the moratorium will only be decided after an agreement with the creditor banks. . . ."

Bresser is asking for \$10.4 billion in new money to refinance all the interest due this year since the moratorium and a bit more than half of the interest anticipated for 1988 and 1989. A second part of the agreement would require long-term refinancing of the \$70 billion at no premium over U.S. prime or London LIBOR interest rates. "After hearing that, I left here more scared than when I arrived," confided Libra Bank president Igor Cornelsen.

According to the Brazilian press Oct. 23, Bresser had agreed to a U.S. Treasury proposal to deposit the "symbolic payment" in the Bank for International Settlements, the Basel institution which protected the Nazi gold hoard. The money would be disbursed to the creditor banks only when the final agreements were signed some time next year. In the meantime, U.S. regulators would look the other way, as they have done since Aug. 20.

Citibank's Simonsen is, logically, among those demanding Brazil give up its trump card, the moratorium, blaming it for Brazil's current economic downturn. Simonsen is angling

to get Bresser's job so he could practically sign a debt agreement with himself.

Brazilian patriots are pulling in the other direction. Former Finance Minister Dilson Funaro wrote an answer to Simonsen, in which he said, "The creditor banks and their innumerable internal spokesmen base their campaign for a symbolic payment on the argument it will cause a climate of good will.' . . . There is no evidence that concessions Brazil has made in negotiations with the banks have brought any more 'good will'. . . . On the contrary, concessions made by the debtor are followed by new and more severe demands by the creditors."

Funaro insisted, "We must defend the moratorium. . . . No matter how big our political difficulties are, the Brazilian government has no right to retreat on the positions taken and again delay the solution to a problem"—the debt—"which has blocked the development of the Brazilian economy during this decade."

A group of senators from the majority Brazil Democratic Movement Party told central bank president Fernando Milliet that the Wall Street collapse "is another reason not to resume debt payments now; we have to maintain our reserves in case the international crisis becomes worse." The same group commented that a symbolic payment "would be like giving the gold to the bandits." They are conscious that Brazil has 36 million undernourished children, that the majority of housing units do not have clean water and adequate sewage, and that most of the workforce earns under \$90 a month.

Bresser is trying to "pay the debt with the hunger of the people." He will probably succeed in having Brazil export \$10.3 billion more than it imports this year, \$1.6 billion more than Funaro had planned. He did this by diverting food products and manufactures Brazilians should consume to the world markets. Since he took over from Funaro in April, he cut worker consumption by 15-20% from last year's levels. São Paulo industry fired 73,400 workers from April to August. The capital goods industry which, under Funaro, had been operating at almost full capacity, now has 60% of its potential unused. In the past three months, the productive sector has triaged its planned investments, the private Banco Bamerindus reported Oct. 14. The National Economic and Social Development Bank implicitly confirmed this when its budget for co-financing industrial projects allocated nothing for 1987.

### **Argentina plays the IMF game**

Argentine President Raúl Alfonsín has tried and failed with so many varieties of "economic shock," that there were rumors in early October he would resign. Instead, he devalued his currency, the austral, by a third, raised taxes by \$2 billion, and gasoline and public service prices by 15%. To forestall a general strike, he gave private employees small wage increases. But he again cut wages of public-sector workers, who had already lost 30% of their buying power.

Alfonsín's program is recessionary and shrinks the tax base, while raising tax rates. The economy produced 4.2% less during the first half of this year than the first half of last. His real intent was to cut imports and raise exports, because he projected that a \$900 million trade surplus for the year would not pay Argentina's \$4.4 billion interest bill, \$700 million higher thanks to U.S. rate increases.

Argentines groaned on hearing of the tax increases, but the World Bank was ecstatic and the U.S. Treasury announced it would join in a \$500 million bailout loan, so Argentina could pay overdue interest. "The willingness of the United States to participate in this multilateral effort indicates strong support for Argentina and its economic reform efforts," declared the Treasury.

### New options for debtors

On Nov. 26, the Presidents of Ibero-America's major democracies will hold their first regional summit since 1825. It was expected that the meeting would be dominated by the disastrous policies of the three biggest debtors—Brazil, Mexico, and Argentina—of subordinating their economic policies to the will of their creditors. Now, the creditors have lost their magic powers, and their "threat not to lend" has less credibility than ever. Prospects for exports to the United States are dim.

In this context, the ideas proposed by Lyndon LaRouche in 1982 for refinancing the debt long-term and at low interest, while financing \$500 billion annually in exports from the developed countries to develop the South, could replace the no-win debt strategy all countries but Peru have followed.

Peruvian President Alan García, in an interview Oct. 10, called for the creation of a common market to unify the economies of the continent. García reiterated, "Only the construction of an Economic Market can allow Latin America to assert itself on the world scene, and give it instruments with which it can develop its potentialities."

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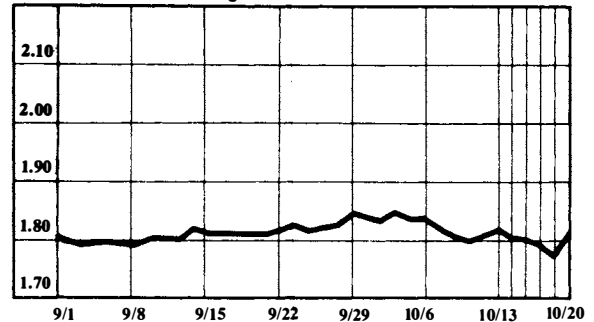
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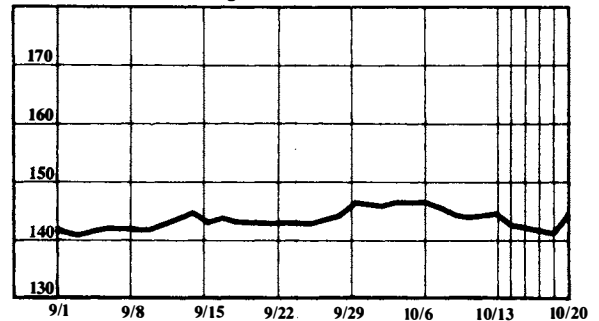
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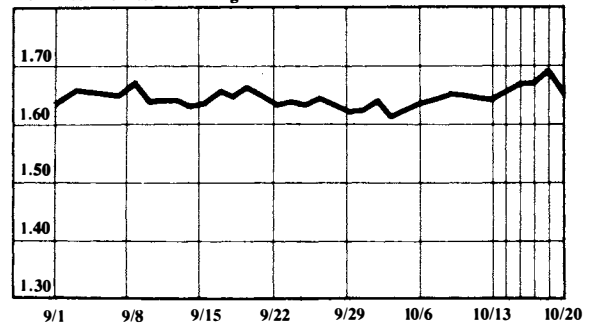
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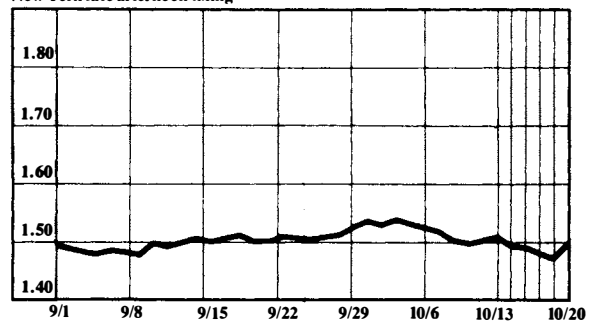
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## Baker at Canossa

*What did the United States Treasury offer in return for the West German bailout?*

Treasury Secretary James Baker III's visit to Bonn the morning of Oct. 19 turned into a barefoot pilgrimage to Canossa, as bankers blamed his German-bashing speech the previous day for the Black Monday panic on stock markets. Baker had threatened America's trading partners (and creditors) with a new round of competitive devaluation, hurting both Western European exports and the foreign-currency value of their U.S. debt holdings.

The stock market panic, however, persuaded the repentant Baker to prostrate himself before the toughest of his creditors, asking for leave to bring down U.S. interest rates, and stem the tide of financial panic.

The Germans assented, but grudgingly: Rather than lower interest rates sharply, as Baker had demanded on Sunday, and then begged on Black Monday, the Bundesbank lowered its key repurchase rate a mere 1/20 of a percentage point, to 3.80%. However, the Bundesbank made heavy purchases of dollars, bringing the U.S. currency up from its near-record low of DM 1.77 Monday morning to close to 1.80 during the course of the week.

However, German and Japanese reluctance to continue financing the U.S. deficit has not given way to unlimited charity. Rather, the Bundesbank and Bank of Japan have granted Washington a respite, on the condition that it adopt drastic austerity measures, including sharp reductions in federal spending, and a rise in taxes.

Well-informed European analysts discount as silly a report circulating in

the markets, that Baker had precipitated the plunge deliberately, in order to scare the Germans into cooperating.

The more important question is, how are they cooperating, and in return for what?

Wall Street blew out after the Germans and Japanese central banks declined to continue buying U.S. Treasury debt at 1987's first-half rate of \$160 billion per year. They neither wanted to, nor could afford to, maintain it, without putting their own monetary systems into the same sinking boat with Wall Street.

Sources close to Japan's Finance Minister Miyazawa emphasize that Japan intends to maintain investments in the United States, in order to give the next President a chance to straighten things out—but that Black Monday gave Wall Street precisely what it deserved. "Baker is stupid," snorted one well-placed Japanese analyst. "What he said on Sunday was ridiculous."

The turning-point for the stock market came Oct. 14, with the announcement of another monster U.S. monthly trade deficit. "This puts enormous pressure on Greenspan and the Fed to raise interest rates," a London analyst warned at the time. "He will have to, one way or another, tighten interest rates. He will likely hesitate, maybe for even one or two weeks. But the longer he waits, the further the dollar will fall."

Germany and Japan both took the occasion to raise interest rates, forcing the Federal Reserve's hand; and the subsequent rise in interest rates on U.S.

markets toppled the stock market.

The drastic reduction in interest rates brought about by the Fed starting Oct. 16 did not avert the Oct. 19 crash, but it did support fixed-income bond markets in a big way, temporarily sustaining the liquidity of the banking system, which depends on its security portfolios.

Once the smoke clears, Europe will watch Washington closely. The 6% decline of the London stock exchange and the 9% decline of the Swiss exchange Oct. 22 was a bad omen; European institutions voted "no confidence" in Alan Greenspan's money-printing exercise.

If Washington produces more pre-election hot air, rather than brutal austerity measures, the creditors' committee won't give Washington a third chance.

Apparently, the Bank of Japan and Bundesbank have not considered the consequences of their own recommendations, not much different than the standard International Monetary Fund ultimatum to developing-sector debtors. A collapse of consumer and government spending would wipe out the last props of nominal economic activity in the U.S., along with their export markets.

"The problem in Tokyo is that we do not have any far-sighted leadership. Our own government is still relying on America for leadership," commented a senior Japanese analyst. Tokyo and Bonn continue to follow the same monetarist criteria that caused the depression in world trade after the 1980-82 Third World debt crisis.

The major German and Japanese institutions have stood behind the value of stock prices, preventing the sort of uncontrolled panic seen in New York. In the short run, they may insulate themselves. But their policies push the United States down the fastest path toward depression.

## A de facto gold standard?

*Apparent intervention in the gold market by central banks suggests a forced return to gold.*

On Thursday, Oct. 15, as Wall Street had barely begun its big slide, Treasury Secretary James Baker sat in his Washington office, listening to a visitor's advice that the Treasury sell gold on the open market as a means of maintaining market confidence. Baker made no response to his visitor's suggestion. However, market observers from Johannesburg to Tokyo believe that the hand of the U.S. Treasury, and perhaps the European central banks, was in the market, depressing the gold price, after "Black Monday," Oct. 19.

Contrary to all expectations, the gold price fell sharply from its Monday high point, by about \$20, to roughly \$464 late in the week of Oct. 19. Conditions of global financial panic, combined with a drastic loosening of monetary policy by the Federal Reserve, would normally have sent the gold price through the ceiling.

The market price of demonetized gold has no direct bearing on the liquidity of the banking system, let alone the stock exchanges. Yet the U.S. monetary authorities were sufficiently fearful of the consequences of a rapid rise in the gold price, to take the risky and wasteful step of selling gold (through intermediaries) on the open market. Why?

It appears that among the other "confidence-building measures" adopted by Washington in order to support Wall Street's confidence game, the Treasury sold gold in order to make the markets appear much

calmer than they were.

In effect, the United States is stumbling backward into the remonetization of gold, but in the worst of all possible ways. Less than 300 million ounces of gold at Fort Knox can do little to support America's combined public and private debt of \$9 trillion, much less underwrite an annual trade deficit approaching \$200 billion per year. Indeed, the faintest harbinger of America's present financial condition persuaded President Nixon to stop paying America's foreign official liabilities in gold in 1971. It were the greatest of absurdities to employ the gold reserve to support the present financial bubble.

Yet that is what Baker proposed at the International Monetary Fund meeting, and it appears that he is doing precisely that. The notion of a commodity basket including gold, whose price would determine monetary growth, represented Baker's promise to America's creditors that he would not devalue the dollar in order to reduce America's debt burden, either on the foreign exchange markets, or through inflation.

Following "Black Monday," the creditors' committee, headed by the Bundesbank of West Germany and the Bank of Japan, declared a respite to the tight-money regime which it had imposed upon the United States at the Oct. 1 International Monetary Fund annual meeting. Supposedly, the renewal of the February "Louvre Accord," under which foreign central

banks bought \$78 billion of unwanted dollars during the first half of the year, underwrites the Federal Reserve's recourse to the printing presses.

The gold sales demonstrate that a general crisis of confidence in the dollar might erupt at any moment. Neither Baker, nor America's creditors, are confident that their bravado of Oct. 19 will dissuade foreign holders of dollars from stampeding. Almost certainly, official gold sales were specified in the Bonn meeting between Baker and his German counterparts Oct. 19. Possibly, the Bundesbank made American gold sales a condition for renewing support for the dollar.

Gold sales to support the Wall Street bubble will do much more harm than good. The bubble itself is unsupportable. America's gold reserves are trivial relative to its foreign obligations. Mere confirmation that the Treasury has sold gold to maintain confidence will undermine confidence. Should Washington, in its madness, sell gold in public, a run would ensue exceeding Nixon's worst nightmares of 1971.

Remonetization of gold becomes essential at the point that Washington is prepared to use gold-backed currency to finance an expansion of exports to traditional American markets in the developing sector, and permit the collapse of the securities-market bubble to reflect the modest circumstances of the U.S. economy. Once the bubble bursts, and both domestic and foreign investors have absorbed the inevitable losses in their U.S. portfolios, the U.S. could (and must) restore gold backing to the dollar's foreign official liabilities, as the reserve for a general reorganization of the monetary system.

Now the Treasury has been thrown back onto its gold reserve haphazardly, in its vain effort to postpone the crisis of confidence, the worst of all possible alternatives.



### The 'devalued' candidate

*Since he is the architect of Mexico's economic policies, Salinas de Gortari may now see his political stock wiped out.*

**T**he Mexican stock market was the only one in Ibero-America to be dragged into the maelstrom of "Black Monday" in New York and other stock exchanges throughout the world. In a single day, it lost 16.5%. Combined with the 15% it had lost in the previous two weeks, it is calculated that between Oct. 6 and Oct. 20, more than \$14 billion evaporated into thin air—the equivalent of nearly the entirety of the international reserves accumulated by Mexico in five years of brutal self-looting!

On Oct. 21, Finance Secretary Gustavo Petricioli publicly claimed: "There is no link between the New York and Mexican stock markets." Everything in Mexico was being caused by mere "psychological reactions" to New York developments. "The economy is recovering as anticipated," he insisted.

Petricioli, of course, waited to give his pitch until after the Mexican market decline had shown a reverse, the result of the government's intervention through the Nacional Financiera (one of the largest government-run financial agencies) to push up the value of certain stocks. It was only after the Mexican government had poured its already scarce resources into the market that Mexico's narco-bankers threw in their own emergency funds of approximately \$1.55 billion.

As elsewhere in the world, no one knows for certain what is going to happen to the Mexican stock market in the short term. What is certain, however, is that its behavior is more linked to that of Wall Street than Petricioli is willing to admit. It is true that the vol-

ume of Mexican corporate stocks participating in the New York market is minimal. But the mere fact that Mexico is the "pampered child" of Wall Street as far as the foreign debt is concerned, establishes a link stronger than any stocks. It was, in fact, Mexico's groveling submission to the International Monetary Fund, beginning in 1982, that served as a key factor in preventing New York's "Black Monday" from occurring before now.

The primary link between the two stock exchanges lies in the fact that the financial methods of Mexico's economic cabinet, headed by Budget and Planning Minister Pedro Aspe, are identical to those of Wall Street. It is not coincidental that they all studied at Harvard. The similarities are so striking that, just as Wall Street hopes to postpone a U.S. financial crash until after a Republican triumph in 1988, so too has Mexican President Miguel de la Madrid allowed the Mexican stock exchange to continue to inflate, giving the appearance of an economic recovery to facilitate popular acceptance of the very unpopular PRI presidential candidate, Carlos Salinas de Gortari.

De la Madrid's hope is that Salinas—the true architect of Mexican economic policies over the past five years, Aspe's former boss at Planning and Budget, and also a Harvard alumni—will preside over said "recovery," and thereby retain bank confidence. Mexican stock market president Manuel Somoza told reporters Oct. 20: "The Mexican exchange is the letter of introduction not only for the PRI presidential candidate, but for

the entire country." If that be the case, then it is Salinas who turns out to be the most seriously devalued Mexican "stock" following Wall Street's "Black Monday."

One day before the initial Oct. 6 panic in New York, Mexico's National Exchange Commission had to suspend activity on the Mexican stock exchange for one hour. Ironically, the danger of a market collapse stemmed from the dizzying climb of Mexican stock prices triggered by "investor confidence" in the Oct. 4 nomination of Salinas.

Why? Although it is true that Mexico's flight-capital artists, dirty-money launderers, and narco-bankers garnered enormous profits on the exchange over the past six months due to protection granted under the IMF agreements, the true motor behind the artificial rise of the stock market was the Treasury Certificate (CETES), government paper which, through mid-September, represented 80% of the total value of the exchange. It was with CETES that the public deficit of the last quarter was financed, at the cost of a soaring public debt.

On Oct. 5, the rise was so disproportionate that the government ran the risk of being unable to pay bondholders, and was forced to intervene, triggering nervousness that turned into full-scale panic with the Oct. 6 events in New York. Stock market leaders, who at first bitterly protested the Oct. 5 intervention, retreated and demanded government intervention to halt the "invisible hand," but that "hand" had already wiped out any fanatic worldwide who had allowed himself to be guided by it.

Therein lies the New York-Mexico "connection." The government intervened, enabling the market to survive, at least for now. The question is, will Salinas's political stock survive?

## A case study— Banco de Crédito

by Ricardo Martín Mora

Peru's private banks are in open, total insurrection against the elected government of President Alan García. Over the recent period, these banks have used every dirty trick—including flouting the law—to forestall the nationalization of the country's financial system, proposed by García and approved by Congress on Oct. 2. Behind the bankers' desperation is more than a fight in defense of "private property," as they so earnestly contend. It is drugs. And given the billions at stake, it can be expected that the bankers will go to any and all extremes to defend their interests.

One of many examples of narco-banking operations in Peru is the case of the Banco de Crédito, Peru's largest commercial bank. The October issue of the magazine *Equis X* accuses Dionisio Romero, owner of the Banco de Crédito prior to the nationalization, of direct links to the drug mafia, both through illegal money-laundering and by running cover for drug trafficking itself.

*Equis X* asserts, "The Romero family owns palm tree crops in the Peruvian jungle, and these have allegedly served as a cover for its drug-trafficking activities." *Equis X* explains that "in the environs of said crops, the Romeros have clandestine airports for the export of semi-processed narcotics," and insists that "the origin of the Romero fortune, before assuming ownership of the bank, was the drug trade."

*Equis X* also charges that the Romeros "have allegedly worked closely with two of the seven principal mafia gangs that operate in the Tingo María jungle," and that this reportedly represented "a true society of interests, in which the mafiosi have also allegedly been something like fronts of the Romeros, in charge of the dirty work." The mafia agents of the Romeros, according to the magazine, were drug traffickers Marcial Pérez Aliaga and Pablo del Aguila, the heads of two criminal organizations linked to the international drug trade.

There is a popular saying in Peru that "the horse fattens

under its owner's eye." This would presumably explain why Dionisio Romero has a summer home on the outskirts of Tarapoto, in the middle of the Alto Huallaga jungle, where he periodically holds conferences with his lieutenants who run Banco de Crédito's local branches.

*Equis X* is a notoriously dirty operation in its own right, and is apparently going after Romero for suspect reasons. Neither is the source of its information stated, nor the evidence in its possession revealed. Nonetheless, this writer—a former deputy attorney general of Peru responsible for investigating drugs and terrorism—has plenty of independent documentation on the participation of the Banco de Crédito's owners in the illicit drug trade.

### A criminal 'modus operandi'

The cover for the drug mafia operations headed by narco-banker Dionisio Romero, through the Banco de Crédito's offices in the central Peruvian jungle, is the Company for the Development and Exploitation of Palm Oil (Endepalma, S.A.), which has 6-8 hectares of palm stands near the jungle city of Tocache. Endepalma, S.A. has a second operation of 14 hectares of palm in the Amazon Basin area of Santa Cecilia, between the rivers Maniti and Amazonas. At the Tocache plantation, Endepalma has an illegal airport, despite the fact that it is but 3-5 kilometers from Tocache itself, which has an official airport, complete with police force and the Corporation of Civil Aeronautics.

It is this clandestine airport of Endepalma—owned by the Romeros—which is used by Colombian light-plane pilots to transport vast quantities of basic coca paste (PBC, the raw material of cocaine), for which they pay U.S. dollars then laundered through the Banco de Crédito branch at Tocache (see *EIR*, Aug. 21, 1987).

This writer personally took part in operations against the drug-trafficking organizations that used the Endepalma airport, such as in the case of the arrest of international drug trafficker Fhon Clark Pérez Rengifo, at the Endepalma airport installations in September 1983. The raid was conducted by the Umopar, the mobile unit of the Civil Guard rural police. Pérez Rengifo was snared just as he was storing some 500 kilos of basic coca paste on board a Colombian narco-plane.

There also exist numerous affidavits in the files of the Peruvian judiciary, such as the case of Raúl López Villar, who laundered more than \$6 million through the Banco de Crédito (Tocache) in less than one month. One such affidavit states, "On approximately September 10 or 12, 1982, I gave 400 kilos of basic coca paste and four days later another 430 kilograms of PBC, to Erencio Malpartida López at the airport of Tananta [name of the Endepalma airport site], where a Colombian light plane landed at least twice."

Another of the more notorious cases involving the Endepalma airport is that of the palm oil transport company run

by the infamous gangster Arturo Pacheco Girón (alias "Búfalo Pacheco," a former member of the ruling APRA party expelled from its ranks in the late 1970s). Pacheco's company, which possesses approximately 200 tank trucks, was caught *in flagrante* on several occasions transporting PBC. One such instance occurred on Christmas 1978, when one of his Volvo trucks returning from the Endepalma installations was pursued by the police, and finally seized after a furious gun battle on the outskirts of Lima, literally at the doorstep of Pacheco's residence. Inside the truck was found approximately 400 kilograms of PBC.

Yet another case is that of the drug-trafficking organization of Colombian Carlos Correa Pérez, who was captured by an Umopar unit at the Endepalme airport, just as he was loading a huge cargo of PBC onto four Colombian light planes. Later, the members of this band escaped from a prison at Tarapoto, with the complicity of the corrupt Judge Washington Castillo. Correa Pérez's organization was also linked to the operations of the notorious Peruvian assassin and drug trafficker Catalino Escalante Calvo.

### Complicity in laundering

The participation of the narco-banker Dionisio Romero and his Banco de Crédito in the laundering of the proceeds of the drug trade is fully demonstrable, and goes a long way toward rebutting those who suggest that Romero "didn't know" his Endepalme airport was used for drug trafficking. The proof exists in the form of affidavits obtained by the Peruvian police and court authorities from various confessed drug traffickers, all of whom confirmed that it was the Banco de Crédito's owners who had solicited their collaboration to carry out the laundering of "coca-dollars."

We could, for example, refer to one which states that "the deposits in his dollar account, at the branch of the Banco de Crédito at Tocache, are there because he had lent said account to the administrator of that branch, at his request, who had indicated that he would receive a commission of 50¢ per dollar, for each dollar deposited, and that he didn't know the names of the individuals who had used his account." (Police file No. 679-DIE/DINTID, dated 9/23/1983; declaration of one Juan del Carmen Barrantes.)

A similar statement is offered by drug trafficker Alfonso Perea Panduro, who writes: "In the month of June . . . in the afternoon hours, Don Miguel Tenorio Ballon, the administrator of the Tocache branch of Banco de Crédito, came to me and proposed the use of my current account to deposit dollars, without mentioning the quantity involved, for which operation Tenorio Ballon, I, and the Banco de Crédito accountant Joel Hidalgo Sánchez would earn one-half of 1% of the total quantity thus changed. . . . After eight days, I was approached by Joel Hidalgo Sánchez, who told me there would be another 'little client.'" (Police report No. 42 DIDRF, PIP, Plan of Operation Zancudo, of 9/23/1983.)

## Arrests 'traumatize' City of London

by Mark Burdman

At the outset of October, a new phase of Britain's "Guinnessgate" scandal opened with a vengeance. By mid-month, five leading City of London financial figures had been arrested by the City's Fraud Squad, and rumors of new arrests were spreading like wildfire. British dailies are already calling it the biggest shakeout of the British Establishment since the bursting of the South Sea Bubble in the early 18th century. The *Sunday Times* of London Oct. 18 labeled it "one of the most traumatic events ever to hit the City of London."

The Guinnessgate charges derive from a wild "share support scheme" engineered in early 1986 by Ernest Saunders, then chairman of Guinness PLC, the brewer. During fiercely fought competitive bidding between Guinness and another firm, Argyll, to take over Distillers, the whisky giant, Saunders allegedly set up an "inducement fund" of some £25 million, which went to various financial and business entities around the world. These entities used the money to buy Guinness stock, shoring up Guinness PLC to enable it to prevail over Argyll in the bidding for Distillers.

Saunders resigned in late 1986, when the scandal first broke, but little was heard thereafter, until October 1987.

The new wave of arrests began with Anthony Parnes, a stockbroker associated with the Alexander, Laing and Cruickshank brokerage house. Nicknamed "the Animal" because of his wild selling habits in the City, Parnes had been the broker in the illicit deals of several other Guinnessgate figures. He was arrested by the FBI in Los Angeles, on request of British authorities, and, as of this writing, is awaiting extradition back to London.

During the same week, police arrested millionaire businessman-financier Sir Isidore "Jack" Lyons, on charges of stealing £3.25 million from Guinness. The 71-year-old Lyons is well-known in London as a patron of the arts and funder of Israeli causes.

On Oct. 13, Gerald Ronson, owner of Britain's second-wealthiest private company, Heron International, was arrested while visiting Fraud Squad offices. He was charged with eight offenses, including the theft of almost £6 million from the company, conspiring to create a false market in Guinness

shares, false accounting, and others.

The Heron empire includes gasoline stations, large property holdings in Paris, Geneva, and Madrid, and "entertainment" operations. The latter includes a video company, Media Home Entertainment, based in Culver City, California, that markets pornography. Ronson is also a top funder of Israeli causes.

On the same day, former Guinness chairman Saunders (who changed his name from Schleyer) was arrested and formally charged on 37 counts, including the theft of £24.2 million from Guinness, which was allegedly used to bankroll his share-support scheme.

By mid-month, the arrest wave had extended to Roger Seelig of Morgan Grenfell, a 42-year-old who had built a reputation in the City as a whiz-kid in corporate takeover fights.

Investigators are now tracking shady financial transactions into Zurich, Geneva, Vienna, the Netherlands Antilles, and elsewhere.

The Oct. 18 *Sunday Times* of London headline on the scandal, was, understandably, "How the Mighty Are Fallen."

### **Across the Atlantic**

City of London sources tell *EIR* that the fun has just begun. More arrests are expected imminently. Moreover, some of the fun will take place across the Atlantic.

Among those believed to be in the "not-yet-arrested" category, is Thomas Ward, of the Washington, D.C. law firm Ward, Lazarus, Cihlar, a former board member of Guinness. Reportedly, Ward's law firm is close to high-level U.S. Republican Party circles.

Another U.S.-based target of investigation is the Boston-based Bain management-consulting firm, reputedly the second largest such firm in the world after McKinsey. During Guinness's rigged takeover of Distillers, the so-called corporation "war cabinet" of Saunders et al. was under the advice of Bain's Olivier Roux, a Frenchman by birth. The head of Bain-U.K., its British affiliate, has been Sir Jack Lyons.

Reliable reports are that Roux is being offered some form of immunity, in order to become the key government witness in the affair. According to the *Sunday Telegraph* of London Oct. 18, British law-enforcement officers are sending a special team to Boston to investigate Bain.

### **Rowland, Boesky, and Riklis**

There is indication that Guinnessgate will soon engulf even higher levels of the British Establishment, including some associated with the House of Windsor. For example, there is the reputed involvement of Tiny Rowland, chief executive officer of the Lonrho, Ltd. conglomerate.

Rowland was the individual who put up bail money for Saunders after his Oct. 13 arrest. Reports from Britain say that Rowland and Saunders built up an association over years,

and that Rowland provided some money for the buy-up of Distillers.

Rowland's meteoric rise to Lonrho chief was patronized by Mr. Angus Ogilvy, a member of the British Royal Family.

Rowland has been an important figure in the U.S. "Iran-gate" complex. Sometime during mid-August of this year, Rowland reportedly visited Iran, in the company of Lonrho chairman Sir Edward duCann, supposedly to arrange a deal whereby Iran would aid in securing the release Western hostages in the Middle East, in exchange for Iranian oil being refined and marketed in Europe.

After this visit, duCann issued a statement Aug. 24 praising the "popularity" of the Khomeini regime, and insisting that the West had to "come to terms with it."

Rowland's family hails from Hamburg, Germany and he maintains close relations with the "Hamburg Trust," the old trading and banking families of that port city, in part through Lonrho's ownership of the Kuehne and Nagel trucking conglomerate.

The Irangate complex also features in two other U.S.-based protagonists in the Guinnessgate affair: Wall Street arbitrageur Ivan Boesky and Rapid American Corp./Schenley magnate Meshulam Riklis.

It was Boesky's confessions to the U.S. Securities and Exchange Commission in 1986, which provided the information leading to the November 1986 raid by the British Department of Trade and Industry on Guinness PLC. Not only was Boesky involved in putting up money for the Guinness buy-up of Distillers, but, in exchange, Guinness put up substantial sums for a Boesky investment trust in the United States. According to the *Sunday Times*, Fraud Squad officers are hoping to interrogate Boesky further. Should arrangements be made for his immunity, it is expected Boesky will provide a wealth of important new information.

U.S. intelligence sources estimate that an unspecified amount of money from Boesky's notorious insider-trading arbitrage deals, went into the pools of money used for Iran arms deals. Boesky was one of several "junk bond" operators working with the Belgium-based Banque Bruxelles Lambert, which has also been named for involvement in Iran arms deals.

Another of the same breed is Meshulam Riklis, who, during the crucial period of the fight for Distillers, bought over 5% of Guinness shares, in violation of British law. In return, money from Guinness was put into Riklis's Schenley operations. Soon after Morgan Grenfell's Seelig had been arrested, leaks appearing in the British press said that Riklis would be the next target of investigation.

Riklis, too, has been at the center of arms smuggling to Iran. He is the patron of top Israeli politico-mafioso Ariel Sharon. One London source reports that Riklis, Ronson, and Saudi arms-runner Adnan Khashoggi have been involved together in ventures in the Middle East, through a London entity called Gulf Investments, Ltd.

# Swapping 'junk debt' for 'oil bonds'

by David Ramonet

An important group of U.S. bankers is now preparing to implement Phase 2 of the looting scheme known as "debt for equity," or, the notion of paying the foreign debt with shares in productive enterprises. The new ploy is to convert debt into stock in companies which are productive *and* still profitable.

There is still a faction fight among the creditors. They do not all agree, since part of the scheme involves the debt being sold at the prices of the so-called secondary markets, where the debt packets are quoted at only 40-60% of their face value. But the promoters of the scheme assume that the debt is unpayable as things stand. In exchanging debt for bonds, the banks shed the risk and assure themselves of punctual interest payments.

Since most of the debtor countries' economies are dependent on a single export product, certain firms in particular have been the source of crucial foreign revenues for each of the indebted nations. With the new scheme, all the revenues of these companies would be channeled to the payment of interest on these bonds.

The creditors' scheme is copied in part from the fraudulent example of the so-called junk bonds, in which bankrupt companies generate enormous "capital earnings" on the New York stock market. Of course, junk bonds are worthless, while these new "equity" bonds would be hooked directly into Third World wealth. The person who has pushed this idea publicly is none other than Michael Milken, who created the junk bond market for the Drexel Burnham Lambert investment house.

Milken explained how the scheme would function to a *New York Times* editorial writer, on Sept. 13: The debtors would issue bonds for an amount equivalent to part of the debt. With these bonds, the debt would be bought at a discount on the so-called secondary market.

He offers Mexico as a hypothetical case of how the scheme would function: The state firm *Petróleos Mexicanos* (Pemex) would issue a series of bonds to buy Mexico's debt at 50¢ on the dollar. The 8.5% annual interest on the Mexican debt's face value would thus be converted into a 17% profit for the bondholders. In this way, the creditor banks convert the debt

into an investment in oil; they get rid of the risk involved in the debt and guarantee that their interest will get paid. Best of all, they get their paws on Mexico's oil.

As the *New York Times* commentator recognized, the scheme is really a means devised by the bankers to convince those who still resist turning over entire sectors of their economies to pay foreign debt. "Innovations such as debt for equity," says the newspaper, "are a business with very little potential," given the political resistance they have run into.

## Venezuela, Colombia, Mexico targeted

Venezuela is the first country where the scheme has been publicly discussed. *Diario de Caracas* reported on Oct. 6 that the state firm *Petróleos de Venezuela, S.A.* (Pedevesa) is studying the possibility of "acquisition or purchase of 50% of the obligations" of the foreign public debt, to "later negotiate them with any international company or financial institution, either directly or by means of bonds." The same newspaper adds that this would "force" Venezuela "to transform the country's obligations."

For Colombia, a group of leading international banks is reportedly putting the finishing touches on a hefty loan, dubbed the "Concord," by the press, of \$1.06 billion. The credit is destined in part toward payment of old debts; specifically, financing the sale of the debt of the state coal company, Carbocol, by the oil company, Ecopetrol.

In fact, part of the Concord loan is for Ecopetrol. Recently, Ecopetrol bought from the creditor banks a large chunk of the Carbocol foreign debt, some \$600 million worth; then it exchanged the debt for shares in Carbocol.

This year, Colombia will pay \$2.9 billion in debt service, which represents more than 50% of what the country expects to receive through exports. In the last year, the foreign debt increased by \$2 billion to a total of \$15 billion. With the new loans, the "Concord" and others which are anticipated, the debt will reach \$19 billion in a few months, which implies that shortly, Colombia will have to pay \$2 billion in interest alone, and that the annual debt service will surpass \$4 billion, or almost 100% the value of its exports.

Faced with this prospect, the creditors are pinning their hopes for repayment on Colombian oil, i.e., on Ecopetrol. In the beginning, the Colombian government had expected that coal would earn hard currency, but it is selling at \$30 per ton, instead of the anticipated price of \$90 per ton. So the creditors have succeeded in converting the coal company's debt into oil company debt. The next step is to get Ecopetrol to "buy" still more debt from the banks, and then issue bonds.

Colombian President Virgilio Barco, whose personal fortune comes from oil and who is a favorite of the U.S. creditor banks, is not apt to stand in the way of such a looting scheme. And with the likelihood of Carlos Salinas de Gortari becoming the next President of Mexico in 1988, talk has already begun among some of Mexico's creditors that the time has come for Pemex to start taking over the Mexican public debt.

# A plan that can unify Africa and introduce limitless growth potential

by Nicholas F. Benton

*The following proposal has been prepared for consideration by member-nations attending the special meeting of the Organization of African Unity Nov. 30.*

Development of a plan over the next few years to divert water from the upper Zaire River into the Lake Chad basin for purposes of irrigating the arable agricultural lands of the Sahel, can unify the interests of every nation of sub-Saharan Africa around a concrete project of mutual benefit to all. It takes man's indispensable natural resource—water—and puts it where it can do the most good: in an abundant, well-managed flow onto arable land, enabling exponential increases in agricultural production.

Regional, cultural, and ideological differences are overcome by the pursuit of a common benefit. This primary infrastructural improvement creates the preconditions for long-term, limitless economic expansion through augmentation of the agricultural, transportation, and energy infrastructure of the continent.

This Zaire River diversion is readily feasible from an engineering standpoint, although a detailed study has yet to be done to establish the optimal set of alternative plans to achieve it, the cost factors, and its precise impact on the regions involved. It is proposed that a regional authority of cooperating African nations be constituted to obtain funding for, conduct, and routinely evaluate such a detailed study, to be completed with specific recommendations for approval by all relevant parties within the shortest feasible time period, not more than three years.

## An overview of the project

Taken as a whole, the continent of Africa has a greater abundance of natural resources than any other. This includes the prerequisites for agricultural abundance. The continent has more unused arable land than any other continent, as well as seven of the world's largest fresh-water river systems. Therefore, it is a doubly painful irony that Africa is suffering ever-worsening famine. It is truly the result, not of natural conditions, but of the failure to put the natural conditions that exist on the continent to the service of man's needs.

This is a failure that can be remedied with the aid of a

broad vision for the potentials of the continent and an optimism about the ability of nations to work together in harmony when their objective is a common good.

What must be achieved is fundamental: to bring the abundant water resources and the abundant arable land together.

Looking over a map of Africa, we see the following components for achieving this:

■ **The Zaire River.** The Zaire River is among the world's most powerful. Its flow is so intense that it retains fully 19% of the world's hydroelectric power generation potential. This is fresh water which can be harnessed for use in irrigating arable land.

■ **The Sahel.** The Sahel, extending almost 3,000 miles from Dakar to Djibouti is the largest unbroken region of arable land in the world.

■ **Lake Chad.** Positioned directly in the center of the Sahel, today's Lake Chad is a tiny remnant of what was once a much larger lake, and sits in a geological formation capable of holding a volume of water many times greater than that currently in Lake Chad.

The task is to bring the waters of the Zaire River across the land which separates it from the Sahel, and into the Lake Chad basin, where it can be held, before being disbursed in an orderly, useful form through a network of irrigation canals across the Sahel. Dams on both the Zaire River and Lake Chad would manage the water flow for optimum effect, also exploiting the hydroelectric power generation of the moving water.

The introduction of hundreds of millions of acre-feet of water into the Sahel region would alter the climate of northern Africa as a whole. As arable land became irrigated to optimize crop production, the massive increase in vegetation would stimulate a "respiratory" interaction with the atmosphere, whose net effect would be to cool the atmosphere, and introduce a significant increase in natural rainfall.

This would not only stop the advance of the Sahara Desert, but would cause it to recede dramatically. Within an astonishingly short time, entire regions of the present Sahara could be reclaimed for development, as aquifers and dry lakebeds and rivers would be refilled, many perhaps for the first time in a millennium or more, through the increased

natural rainfall across the entire region.

Once the region achieves the capacity to realize its limitless agricultural growth potential, then the introduction of transportation and energy infrastructures will become self-evident. This would include transcontinental high-speed railroads, criss-crossing the continent east to west and north to south. It would include efficient, centralized electrical power grids which would support rapid growth of numerous population centers that would concentrate industrial, commercial, cultural, educational, and health facilities.

The historical analogy to the development of the North American continent is important. The United States became the most powerful economic force in the world not simply as a result of exploiting abundant resources. The development of the industrial heartland of the nation was impractical until some indispensable large-scale infrastructural improvements occurred first.

The most important was the Erie Canal, which provided a transportation link between the Great Lakes and the interior of the continent, and the Eastern Seaboard. Without that link, the potential of the interior would never have been fully exploited. Additional links, such as a canal linking the Great Lakes with the Mississippi River, were also critical preconditions for realizing the full potential of the interior. In the West, large-scale water projects which brought water out of the Sierra Mountains and the Rocky Mountains (via the Colorado River), by way of numerous systems of dams and canals, made possible the growth of California, turning it from a virtual desert into the U.S.A.'s most populous and economically prosperous state. In short, large-scale infrastructure projects have always been the precondition for any real, sustained economic growth.

## Cost factors

The most common argument against investing in a large-scale project such as the proposed Zaire River Diversion is its high cost. This factor, many will say at the outset, categorically rules out such an idea. But this is nonsense. Financial interests preoccupied with means to optimize profits from an underdeveloped region will always argue against the feasibility of major projects which improve the potentials for real economic growth, independence, and expectations of those regions. Africa has remained underdeveloped for so long because of the force of such exploitation, which continues today in the form of those who preach conservation, population control, and small-scale, decentralized programs, and attack the kinds of large-scale programs that will transform the face of the entire continent.

In reality, the cost of any project must be viewed as a function of its total economy, or value. That is, it is not the nominal cost which is important, but the ratio between the cost and the yield of an investment. Spending \$50 million on a decentralized, local project which conserves use of a diminishing resource, for example, or even stabilizes the pro-

duction of a product at a fixed level, realizes far less in yield than spending the same \$50 million to build a section of a larger master-plan for a massive increase in yield. The latter investment is, obviously, better spent than the former.

In the case of the Zaire River Diversion, the investment in its planning and construction will be infinitely dwarfed by the yields it will produce. To cite a historical precedent, the Erie Canal proved so valuable to the flow of commerce in the United States, that the entire cost of its construction was paid for in only 11 years—less than the time it took to build it. Everything gained from that point on was pure profit, and the benefit to the total economy was epic. No matter what the cost of the Zaire River Diversion, as a whole, it will yield in profits more than any combination of decentralized projects.

Once the political will exists to build the Zaire River Diversion, the question will become: Who can afford *not* to invest in its development?

The cost-feasibility of the project, then, is primarily a political, rather than economic, matter. If sufficient resolve is demonstrated to achieve an objective that will unlock an unlimited growth potential, then cost is no longer important when measured against the yield. It is only important as long as it remains a deterrent to political will.

If the political leader begins by asking, "Can we afford it?" and awaits an answer to that before making a decision, then he will always be told, "No." If, however, the political leader says, "This is the right thing to do; we must and we will do it; regardless of the cost, we will find a way," and then asks various parties if they are interested in participating, he will be told, "yes."

True, he may have to do some convincing and searching to get the "yes" answer he seeks, but, again, the main component of this is the degree of determination behind the effort. With the amount of resources for investment that exist in the world today, there is no shortage of potential investors who will see the advantages to be gained from cooperating with the leaders determined to build this project (advantages of both a political and economic nature). Once interest begins to be shown, a stampede of investors will follow.

## How to proceed

Two elements are required to launch the Zaire River Diversion: consensus among nations affected by the project and a detailed feasibility study. The two can proceed simultaneously and, in fact, be directly interrelated.

One understanding must lie behind both efforts, however: a commitment to the feasibility of the project. In other words, it must be clearly resolved from the outset that the study being conducted is not aimed at answering the question, "Can it be done?" For reasons already given, even an engineering firm can come back with a "no" answer, if that is the question. The study must be conducted from the standpoint of providing the necessary detail, as well as alternative routes, locations for dams, cost estimates, etc., which actually make it

possible for the project to get underway.

The study should be carried out by a commission made up of appointees from all African nations committed to the realization of the project. This "Zaire River-Sahel Water Diversion Project Commission," composed of appointees who will report back routinely to their respective governments, will amass a fund to finance the study. The study will require hiring experienced engineering experts comfortable with utilizing the problem-solving approach who will draw up three alternative routes for the water to flow from the Zaire River into the Lake Chad basin. It will also require hiring analysts who provide cost, regional impact, and other estimates in some detail.

(In the United States, a similar method was undertaken to study the feasibility of diverting water to the High Plains region, where water for irrigation was tapped from the Ogallala Aquifer and was found to be diminishing rapidly. The U.S. Congress funded a \$5 million project in 1976 to produce a study of detailed options within a five-year period. A "High Plains Study Council" was created, composed of two individuals appointed by the governors of each of the five states involved, which oversaw the study in a manner similar to what is being proposed here. In this case, however, the study was doomed to failure from the outset, because the mandate was flawed. Had there been no constraints on their efforts to find new water, they would have looked to the northward-flowing rivers of Alaska, with their massive volumes of fresh water, and the feasibility of diverting them, southward and downhill, onto the High Plains. Instead, they were prohibited, for parochial political reasons, from looking outside the immediate area of the High Plains for new water, and thus, the study was destined to fail.)

The commission would meet on a regular basis to hear reports on the progress of the study and make ongoing evaluations and any decisions as needed about changes in the way the study is being undertaken. Commission members would then report back to their respective governments, and to meetings of larger regional bodies as requested. The commission would have the primary responsibility for assuring the best possible detailed and comprehensive study emerges from their work within a reasonable period of time, which should not exceed three years.

Once the study is completed, the commission makes its recommendations on which of the three alternative routes it considers the best, and passes the study on to be approved by all the affected and cooperating nations, who would then act with a consensus to seek bids on the beginning of construction of the various components of the project. Also, the cooperating nations could form a cooperation which would seek investment in the project, and subcontract the construction. With the aid of the most modern construction methods, yields from the project could come within the first years after startup, beginning with hydroelectric surplus, and then, the water itself.

# Space budget cuts protests in British

by Mark Burdman

A British government commitment to place strict limits on state funding of space research, while phasing out British participation in the European Space Agency, has provoked both angry protests and an impassioned defense of the importance of space exploration from influentials in Britain's political and defense establishment. The unusually vociferous rallying behind scientific-technological progress may be read as a signal that powerful factions in the British establishment are trying to foster a shift away from the destructive, mystical cult of "privatization" and the "post-industrial services economy," which has so damaged Great Britain over past years. It also signals concern about the increasingly dangerous challenge to the West posed by the Soviet space program and the past years' disarray in the American space program.

Speaking at a conference on space industrialization in Brighton during the week of Oct. 12, John Butcher, the British minister responsible for information technology, announced that Britain, at a critical meeting of the European Space Agency (ESA) in The Hague, Netherlands on Nov. 9-10, would insist on a cutback in the European space program. In the course of his remarks, he made clear that the government's policy was to view space as a purely "economic" matter, in the way a "free enterprise" quack views economics. Said Butcher: "The time has come for Europe to take stock and review its space activity against the likely future demands of the market."

British Minister of Trade and Industry Kenneth Clarke had earlier denounced the entire array of European aerospace manufacturing companies, as an "expensive club" that would drain necessary resources from other areas of the economy.

Such attitudes drew an immediate protest from Jack Leeming, recently appointed head of the British National Space Centre. On Oct. 19, he briefed a subcommittee on space created by Britain's Advisory Council on Science and Technology (ACOST), a group of scientists, industrialists, and representatives of government departments headed by Rolls Royce chairman Sir Francis Tombs. Leeming insisted on the necessity of Britain boosting government funding for space research, from the present annual level of £100 million up to the £300 million range.



# provoke angry defense circles

It was immediately after Prime Minister Margaret Thatcher, acting on the advice of civil servants in the Department of Trade and Industry, turned down such a funding request in July of this year, that Leeming's predecessor at the Space Centre, Roy Gibson, quit his post. Gibson was a former ESA director who was appointed first head of the Centre when it was created two years ago. He had expressed concern that the level of government funding for space exploration was far below France and West Germany, and even less than Italy and India.

The government, including Mrs. Thatcher, with some ideological fervor, insisted that the bulk of funding for space research should come from the "private sector." According to one British aerospace-industry insider, "This proposal went over like a lead balloon, especially because everybody knew that the City of London institutions were not about to lend money to industry for space."

One noteworthy rebuttal of the government's position was made by Adm. Sir James Eberle, director of the Royal Institute of International Affairs, also known as Chatham House. He wrote in the *Times* of London Oct. 15: "If we want to preserve a strong defense policy, we must take into account the contribution space-based systems can make to a credible nuclear deterrent. It is no coincidence that France has an 80% increase in its military space budget."

Eberle added, caustically, "British history is littered with examples of lack of political vision in matters of technical judgment. At the beginning of the 19th century, their Lordships of the Admiralty stated that they regarded it 'their bounden duty to discourage to the utmost of their ability the employment of steam vessels.' Their successors in the 1920s 'saw no use for aeroplanes.'" He added that space exploration "requires, and can stimulate, many other leading-edge technologies. Too few people in Britain seem to realize to what extent space has already altered our lives."

He criticized Thatcher government plans to "privatize" space research funding, warning: "If the government will not take the lead, Britain's position as a space power and serious producer must be seriously threatened. The alternative, to be a user only, means dependence on the rest of the world, on their terms."

Sir James is one of the co-signers of a new report being issued by five European foreign policy institutes on the political, economic, scientific, technological, security, social, and cultural aspects of space. On Nov. 4, Eberle will be chairing a conference at Chatham House on Anglo-German-French cooperation in space.

The irony of Sir James's position is that Chatham House/RIIA, created by the Freemasonic British Round Table earlier in this century, and itself the creator of the New York Council on Foreign Relations, has been a key architect of the liberal "New Age" policies of hostility to technology and industry. This was particularly due to the influence of the late Arnold Toynbee, research director at RIIA from the 1920s through the mid-1950s. Historian Toynbee was a fanatical gnostic, hostile to the Judeo-Christian idea of progress. He was a guru-figure to many of the key operatives in both Britain and North America, who mobilized intensely during the 1960s to sabotage the U.S. space program.

## 'The next great industrial revolution'

Eberle's critique was echoed on Oct. 19 in Sheffield, at the inaugural meeting of the Institute for Bio-Medicine, a private agency, established with aid of government funding. There, former Minister of Space Sir Geoffrey Pattie charged that a "curious fog of myopia seems to be descending on the Government on the issue" of space exploration and research. He exclaimed, "Can a country which depends utterly on trade and whose trade must depend crucially on developing new products based on materials and processed technology, afford to opt out of a field which represents the most important concentration of advanced technologies anywhere in the world?"

Similarly, Sir John Curtiss, director of the Society of British Aerospace Companies, Ltd., wrote to the *Times* of London Oct. 19, warning that statements made by Minister Kenneth Clarke, flatly rejecting proposals by the British National Space Centre for an increase in the space budget, "will have dismayed British space scientists and space workers alike. . . . Britain cannot afford to be a mere spectator while other nations make the running in space. At the present rate of advance in technology, making up lost ground is immensely expensive and, in the space business we are, indeed, losing ground.

"Our present Government prides itself on its innovative thinking, yet it appears to have a blank spot when it comes to appreciating the huge potential of space. . . .

"I believe that the British people are dismayed at our Government ministers' lack of vision when it comes to space. The British people see the exploitation of space heralding the next great industrial revolution. They look to Government for leadership."

The Society of British Aerospace Companies, Ltd. comprises 300 companies, including British Aerospace Ltd., Rolls Royce, and others.

# Business Briefs

## Commerce

### Hamburg merchants court Khomeini's Iran

The Chamber of Commerce of Hamburg, West Germany, met on Oct. 16 to discuss the future prospects for Iranian-West German economic cooperation. The keynote speaker was the economics attaché at the Federal Republic's embassy in Teheran. Also attending were representatives from the Hamburg-based West German-Iran Chamber of Commerce and the Near and Middle East Association, including the president of the former organization, Christian Brinckmann, banking partner of the Hamburg branch of the Warburg family.

Following that meeting was another at the Hamburg elites' think tank, Haus Rissen, to discuss the crisis in the Persian Gulf.

The German-Iranian rapprochement is the work of German Foreign Minister Hans-Dietrich Genscher, and comes as the United States and other Western powers are in a virtual state of war with the regime of Ayatollah Khomeini.

According to a commentary in the Saudi newspaper *Asharq al Awsat* on Oct. 9, the two countries are resuming a longstanding love affair which started in the 19th century, when philosopher Friedrich Nietzsche wrote a book on Zoroaster.

The Oct. 9 *Saudi Gazette* blasted Foreign Minister Genscher for having sponsored a recent meeting between Iran's Foreign Minister Ali Akhbar Velayati and Israel's Foreign Ministry Director General Avraham Tamir, in the villa of a German intelligence agent, some 16 km from Bonn. After the closing of the Iranian arms procurement office in London, the paper reported, West German weapons started going into Iran.

## Mideast

### Israel, Soviet Union increase trade ties

Israeli-Soviet trade relations have been steadily growing in recent years, according

to the September issue of *Israel and Palestine*. Most of the trade agreements involve industries on the Israeli-occupied West Bank of the Jordan River.

*I&P* identifies four Israeli corporations as most heavily involved in the Soviet trade: G.G. Trade Investment Corp., based in the West Bank's Ariel Settlement; the Association of Soviet Jews in Israel, chaired by Grisha Feigin, who is quoted saying he deals with a Soviet foreign trade ministry official who was his military commander in World War II; the Tavori company from the West Bank, which exports bottled juice; and businessman Shabtai Kalmanovitch, a diamond dealer who fostered Soviet trade in Sierra Leone and is now about to be extradited to the United States on charges of fraud.

## Development

### South Africa offers help to neighbors

Speaking on South African television on Oct. 4, South African Finance Minister Barend du Plessis said that his country was willing to play an important role in fostering the economic development of countries of sub-Saharan black Africa, but that the international campaign of sanctions against South Africa had prevented this potential from being realized.

He was asked, "In your address to the IMF, you asked for recognition of the role that South Africa can play in the development of sub-Saharan Africa. What did you mean by that?"

Du Plessis replied: "Actually, I pointed out how ironic it is that everyone speaks of the development of sub-Saharan Africa, and how important it is, and everyone wants to help. Yet the one country south of the Sahara that can really make a contribution—that is, South Africa—is being subjected to an international attempt to bring our economy to a standstill, or at least inflict serious damage to it.

"What I meant was that we are Africans. We are fully aware of the problems of Africa in agriculture and the like. Indeed, recently we even had to give assistance outside Africa to control equine fever. Now, this is the

kind of service we can provide, for example through Onderstepoort Veterinary Institute, or the cooperation between ourselves and Lesotho in the Highlands water scheme, where we, on our part, can assist through the Development Bank, and where technical people from South Africa will be involved."

He further pointed to the role of Third World countries in the development of the industrialized nations. "In the final analysis, the future markets are to be found in the Third World countries, too. That is where population growth is still taking place, where there is still room for expansion of living standards, in other words, where there will be a place in the future to get rid of manufactured products."

## Energy

### Mexico, U.S. to share electric power

Mexico and a U.S. electric power company will share power supplies in the event of an emergency, UPI reports. Fernando Hiriart Balderrama, director of the Mexican Federal Electricity Commission, made the announcement on Oct. 17, after signing an agreement with Gerald L. Moore, president of the Imperial Irrigation District, which serves part of Arizona and California's Imperial Valley agricultural zone.

The accord "commits each side to bring reciprocal support on both sides of the border of Baja California and the U.S.," Hiriart said. "This is a classic example of agreements that equally benefit both sides." The two parts will provide mutual emergency electrical supplies as well as economic and technical assistance when needed.

## Ibero-America

### Brazil looks to continental integration

Brazilian President José Sarney raised the issue of a common market for Ibero-America, during a visit to Venezuela on Oct. 16.

He was critical of recent discussions of a common market to link the United States, Mexico, and Canada, calling this a response to Brazil's own recent steps toward integration with Argentina and Uruguay.

"We want to create a new economic order," he said. "... This is a very big step, and we see that the United States, after our initiative, is beginning an initiative with Canada. . . . I think this response is a result of Brazil's position on the creation of a Latin American common market." Sarney described his visit to Venezuela as important for developing such continental integration.

He and Venezuelan President Jaime Lusinchi agreed to have a meeting of the Brazil-Venezuela Cooperation Commission in Brasilia and to activate agreements between the state-run oil, mining, and metals-processing companies of the two countries, to economically integrate the border regions.

## **Defense & Aerospace**

### **'No contracts for U.K.,' says SDI foe**

The U.S. Strategic Defense Initiative will be largely scrapped by the next U.S. President, so Britain should not count on getting any SDI contracts, stated Robert Bowman, the head of the Washington, D.C.-based Institute for Space and Security Studies, in a statement in London on Oct. 20.

Bowman, billing himself as a former space adviser to Presidents Ford and Carter, said that the only thing the United States had ever wanted was "political entanglement," when it signed an agreement with Britain on SDI cooperation. "You will not get big contracts from SDI because this will be held in check by Congress," he said. "The British Government is shooting itself in the foot. Your space scientists and space engineers have nowhere to go but SDI, but that will come to a screeching halt. This will be counterproductive for the British aerospace industry."

Bowman is a colleague of Carol Rosin, who boasted during the 1984 U.S. presidential election campaign of her cooperation with the Soviet embassy in Washington in shaping anti-SDI programs for liberal con-

gressmen and for Walter Mondale's election campaign.

## **Petroleum**

### **Swedish firm found running Iran's exports**

The Swedish firm A. Johnson and Co. is running oil exports for Khomeini's Iran, according to a report appearing in the Social Democratic daily *Aftonbladet* Oct. 21.

The company owns the tankers that run the shuttle traffic from Kharg Island to Larak Island. The firm is run by Antonia Johnson, a member of the board of the Swedish liberal party Folkpartiet.

## **The Debt Bomb**

### **Yugoslavia proposes '25% solution'**

Yugoslav Prime Minister Branko Mikulic proposed limiting debt payments to 25% of export earnings for 1988, in a speech to Parliament on Oct. 19. The proposal was part of a plan for debt consolidation that Yugoslavia will be presenting to its Western creditors.

The idea is modeled on Peruvian President Alan García's famous "10% solution." García incurred the wrath of the international bankers with his policy, adopted two years ago, of limiting debt payments to 10% of export earnings.

In the past 12 months, Yugoslavia has used 46% of its export earnings to pay debt, a situation which Mikulic described as intolerable. Since July, Yugoslavia has de facto stopped further debt payments.

Mikulic also announced that Yugoslavia will seek further credits from the West, and will increase price controls, given that inflation, now running at a 123% annual rate, otherwise threatens to go totally out of control. The International Monetary Fund, as a precondition for any further bridging credits to Yugoslavia, had demanded that price controls be further relaxed.

# Briefly

● **JAY ROCKEFELLER**, U.S. senator from West Virginia, told AP that the United States might have a thing or two to learn from Japan, since 66% of Japanese executives are engineers, scientists, or mathematicians, while the same portion of U.S. executives are lawyers, accountants, or public relations specialists. Rockefeller's interview was published in the *Japan Times* on Oct. 12.

● **FEDERAL** prosecutors on Oct. 15 filed suit against Manhattan's famous Fulton Fish Market, declaring it to be mafia-controlled. This is the first time the government has filed a racketeering suit to put "an entire commercial center under court supervision," according to U.S. Attorney Rudolph Giuliani. Also charged is the main trade union for the fish market, Local 359 of the United Seafood Workers.

● **BUTTERFLIES** have destroyed 20,000 hectares of cocaine plantations in Peru's Tocache province, according to the daily *El Comercio* Oct. 21. Total losses for drug traffickers from the insects, locally called *malumbas*, are estimated at \$37 million.

● **THE BRONFMANS**, Edgar and Charles, are touring Europe to build up the international operations of their liquor empire and the Bronfman-controlled Du Pont de Nemours Corp. They are reportedly buying up large interests in Germany's Rheinhessen and Rheingau regions. Meanwhile, Edgar Bronfman, chairman of Seagram's, lost the equivalent of £100 million in the Wall Street crash, the *Daily Telegraph* of London reported on Oct. 21.

● **BIG LOSSES** from the Wall Street crash are reported in the British press for international press magnate Rupert Murdoch, but real-estate billionaire Donald Trump and the sleazy Sir Jimmy Goldsmith escaped by selling massively before the crash. "Sir James had viewed the market as massively too high," an aide told the *Daily Mail*.

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## New hypothesis shows geometry of atomic nucleus

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*A summary of recent work by Dr. Robert J. Moon, adapted from an article by Laurence Hecht in the April 1987 German-language magazine Fusion.*

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*The following summary of a groundbreaking new view of the atomic nucleus developed by University of Chicago physicist Dr. Robert J. Moon is adapted from a longer article by Laurence Hecht. Hecht collaborated with Moon to develop the implications of his geometrical model of the atomic nucleus for the periodic table and the arrangement of extra-nuclear electrons. Dr. Moon, an experimental physicist of vast experience, and a veteran of the World War II Manhattan Project, began his work at the University of Chicago in the 1930s under Prof. William Harkins.*

While an elaborately refined set of rules exists to explain many phenomena observed at the atomic level, there remains no satisfactory model of the atomic nucleus, the central core of the atom around which a precise number of negatively charged electrons can be considered to orbit. Any attempt to produce a coherent theory of orbiting electrons, without knowledge of the structure around which these orbits are constructed, would seem to be doomed to failure. Nonetheless, a highly elaborated algebraic theory of the atom, designed to account for a mass of data gathered from spectral analysis and other operations, does exist in the form of the quantum mechanical model. Most of this theory presumes no more about the atomic nucleus than that it contains a certain number of positively charged particles agglomerated in a central mass.

It would seem past time to arrive at a more developed theory of the atomic nucleus, and Dr. Robert J. Moon has proposed a geometrical model of the nucleus to do just that.

The existing dogma of nuclear physics requires us to believe that protons, being all of positive charge, will repel each other up to a certain very close distance corresponding to the approximate size of the nucleus, at which point a binding force takes hold, and forces the little particles to stick

together, until one should try to get them too close, at which point they repel again. So, the holding together of the protons in the nucleus is accounted for.

Since we disdain such arbitrary notions of "forces," and prefer to view the cause of such phenomena as resulting from a certain characteristic of physical space-time, a different view is demanded. Considerations of "least action" suggested to Dr. Moon a symmetric arrangement of the charges on a sphere, while the number of such charges and the existence of orbitals beyond the nucleus suggested a nested arrangement of such spheres, containing intrinsically the Golden Section ratios (see box).

### The model

We are led immediately to the Platonic solids. The surfaces of the Platonic solids and related regular solids represent unique divisions of the surface of a sphere according to a least-action principle. All of the Platonic solids can be formed by the intersections of great circles on a sphere, the great circle being the least-action path on the surface of the sphere, and the sphere the minimal three-dimensional volume created by elementary rotational action.

The best way to see this is to consider the intersections of the great circles in a Torrianian, or Copernico-Pythagorean planetarium (cf. Johannes Kepler, *Mysterium Cosmographicum*, Dedicatory Letter, Abaris Press). In the device constructed by Giovanni Torriani to demonstrate Kepler's nested-solids model for the solar system, the vertices of the regular solids are formed by the intersections of great circles. Three great circles intersect to form an octahedron. Six great circles intersect triply in eight places to form the vertices of a cube and doubly in six places over the faces of the cube. Fifteen great circles intersect five-at-a-time in 12 locations, three-at-a-time in 20 locations, and two-at-a-time in 30 lo-

cations, forming, respectively, the vertices of the icosahedron, dodecahedron, and icosidodecahedron.

It is interesting that the tetrahedron is not uniquely determined in this construction, but is derived from the vertices of the cube. Dr. Moon has developed a nested model using four of the five Platonic solids, excluding the tetrahedron, to define the atomic nucleus in much the same way Kepler determined the solar orbits. In Dr. Moon's "Keplerian atom," the 92 protons of the naturally occurring elements are determined by two sets of 46 vertices. His proposed arrangement is as follows:

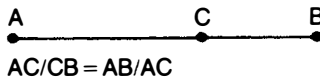
Two pairs of regular Platonic solids, the cube-octahedron and the icosahedron-dodecahedron may be called duals: The

one will fit inside the other such that the vertices of one fit centrally on the faces of the other, each fitting perfectly inside a sphere whose surface is thus perfectly and symmetrically divided by the vertices. The tetrahedron is dual unto itself and therefore plays a part separate from the rest.

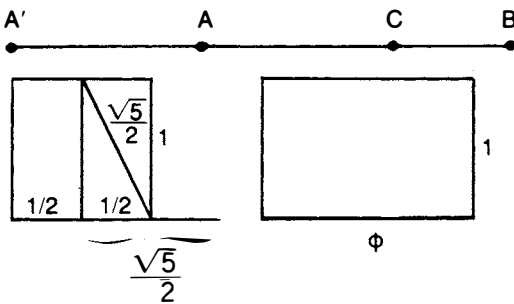
The four dual solids may form a nested sequence, cube, octahedron, icosahedron, dodecahedron with certain unique properties (Figure 1). The cube-octahedron nesting is clear, as is the icosahedron-dodecahedron (Figure 2). To fit the one pair of duals into the other appears at first to be a problem. For the six vertices of the octahedron do not fit obviously into the 20 faces of the icosahedron, nor could the fourfold axial symmetry of the former be simply inserted into the fivefold

## An algebraic construction of the Golden Section

The Golden Section, or Golden Mean, divides a line into two segments, such that the ratio of these segments is proportional to the ratio of the whole length to the larger of the segments.



This being the case, when the length AB is extended by the segment AC, the ratio of the original to the new length, A'B/AB, will also be proportion to the Golden Section ratio.

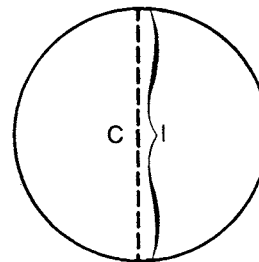


$AC/CB = AB/AC = \phi$   
 ( $\phi$  is the traditional symbol for the Golden Mean)

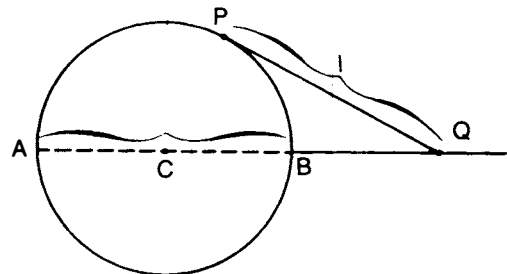
The Golden Section ratio is  $(1 + \sqrt{5})/2$ , which is approximated by the number 1.61802. A simple construction of the ratio  $(1 + \sqrt{5})/2$  can be determined from the Pythagorean Theorem. Construct a square on an extended line. Draw a diagonal through one half of the square, and mark this length on the line. The extended line will be in the Golden Section ratio to the length of the side of the original square.

## A geometrical construction of the Golden Section

The Golden Section can be constructed directly from a circle, as follows: Take any circle, and determine the length of its diameter by folding it in half. Now produce a tangent from any point on the circumference of the circle, which is extended so that it has the same length as the diameter. Connect the endpoint of the tangent to the center of the circle, and continue this new line until it reaches the opposite half of the circumference. This line will be cut in the Golden Section proportion ( $\phi$ ) by the diameter.



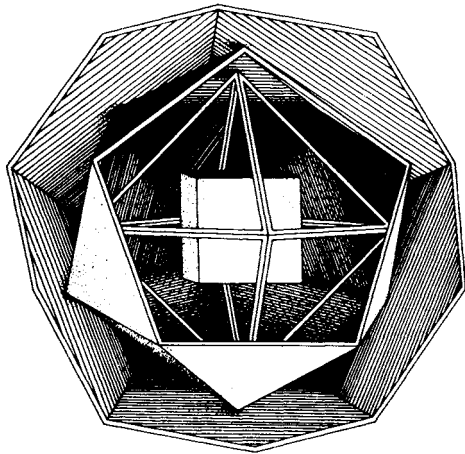
diameter length,  $l$   
 line  $PQ =$  line  $AB$   
 line  $\overline{PQ}^2 = QB \times QA$   
 $QA = AB + QB$   
 $\overline{AB}^2 = (AB + QB)QB$  and  
 $AB/QB = (AB + QB)/AB = \phi$



The relationship  $\overline{PQ}^2 = QB \times QA$  can easily be shown by noting that  $PQB$  and  $PQA$  are similar triangles.

FIGURE 1

**Nested sequence of four Platonic solids**



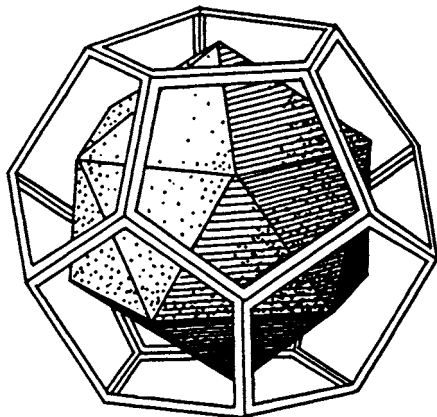
axial symmetry of the latter. The octahedron may still be placed within the icosahedron in a manner that is beautiful. The ratio of five-to-four provided Dr. Moon a clue. Six vertices of the octahedron may be placed near to six vertices of the icosahedron, such that the distance from the nearby vertex of the icosahedron to the edge opposite it is divided in the Divine Proportion, as the Golden Section was called in the Renaissance (Figure 3).

The axis of the cube-octahedron pair is thus skew to the axis of the icosahedron-dodecahedron dual—a fact of great importance later.

Examining the edges of the figures so nested, considering that of the smallest inner figure, the cube, to be unity, we find:

FIGURE 2

**Nesting of icosahedron in dodecahedron**



Edge of cube	1.00
Edge of octahedron	2.12
Edge of icosahedron	1.89
Edge of dodecahedron	1.618

Note that the ratio of edges between the inner and the outer figures is in the Divine Proportion,  $\phi = (\sqrt{5} + 1) \div 2 = \text{approx. } 1.618$ .

Then taking the radius of the sphere circumscribing the cube to be unity, the radii of circumscribing spheres stand in proportion:

Cube	1.00
Octahedron	1.733
Icosahedron	2.187
Dodecahedron	2.618

Note here, that the ratio of radii between inner and outer spheres is the square of the Divine Proportion.

So arranged, the four solids which are dual contain 46 vertices in a distinct ordering:

Cube	8
Octahedron	6
Icosahedron	12
Dodecahedron	20
Total	46

**Building the nucleus**

With the structure of the microcosm so determined, we are now prepared to demonstrate the unique arrangements of singularities that may exist within it. There are 92 such arrangements known as the naturally occurring elements (see Fig. 6) and some more that we can manufacture but not maintain for very long. Each element has a unique number *Z* of positively charged protons in its nucleus.

As a first approximation for the nucleus, Dr. Moon proposes that protons be placed at the vertices, beginning with the cube and moving outward. We thus get:

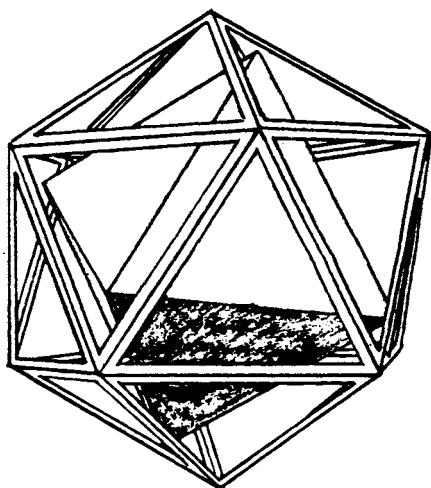
Oxygen (8)	Completed cube
Silicon (14)	Completed octahedron
Iron (26)	Completed icosahedron
Palladium (46)	Completed dodecahedron
.....	.....
Uranium (92)	Completed twin figures

Thus, the highly stable oxygen (making up 62.55% of the total number of atoms in the Earth's crust) and silicon (making up 21.22%) are represented by the first two completed figures. Together these two elements account for 84% of all the atoms in the Earth's crust. While the curve of relative abundance declines exponentially with increasing atomic number, iron, the completed icosahedron, is three orders of magnitude higher than the elements near it on the atomic number scale and makes up 1.20% of the atoms in the Earth's crust, and 5% by weight.

Filling the outermost figure, the dodecahedron, we reach palladium *Z* = 46. To go further, a twin structure joins at one of the faces of the dodecahedron (Figure 4) and begins to fill up its vertex positions with protons beginning on the outer-

FIGURE 3

### Nesting of octahedron in icosahedron

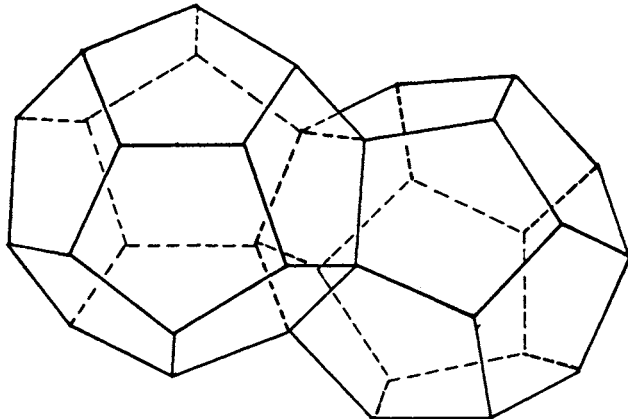


most figure. (47-Silver is the first.) Six positions are unavailable to it—the five vertex positions on the binding face of the second figure and the one at the face center where a vertex of the inscribed icosahedron pokes through.

Thus, on the second figure, 15 out of 20 of the dodecahedral vertices are available, and 11 out of 12 of the icosahedral vertices. We now fill 11 of the 20 available dodecahedral vertices, thus creating 47-Silver and continuing through 57-Lanthanum. Here, one face of the dodecahedron remains open to allow filling of the inner figures. The cube and octahedron fill next, producing the 14 elements of the lanthanide, or rare earth series (58-Ce to 71-Lu). Placing the proton charges on the inner solids causes a corresponding inward

FIGURE 4

### Twin dodecahedra joined at one face



pulling of the electron orbitals. Thus, the otherwise unaccounted-for filling of the previously unfilled 4-f orbitals, and the mystery of the period of 14 for the rare earths, are explained.

The figure is complete at 86-Radon, the last of the noble gases. To allow the last six protons to find their places, the twin dodecahedra must open up, using one of the edges of the binding face as a “hinge.”

87-Francium, the most unstable of the first 101 elements of the periodic system, tries to find its place on the thus-opened figure, but unsuccessfully so. Less than one ounce of this ephemeral substance can be found at any one time in the totality of the Earth’s crust. 88-Radium, 89-Actinium, and 90-Thorium find their places on the remaining vertices. Two more transformations are then necessary before we reach the last of the 92 naturally occurring elements.

To allow for 91-Protactinium, the hinge is broken, and the figure held together at only one point (Figure 5).

The construction of 92-Uranium requires that the last proton be placed at the point of joining, and the one solid slightly displaced to penetrate the other in order to avoid two protons occupying the same position. This obviously unstable structure is ready to break apart at a slight provocation. And so we have the fission of the uranium atom, as hypothesized by one of those who first made it happen.

Dr. Moon was led to the elaboration of this theory on the basis of a review of the work of Klaus von Klitzing which he published in the October 1985 issue of the *International Journal of Fusion Energy*. Klitzing won the Nobel Prize in 1985, for the discovery of the quantum Hall effect.

Klitzing investigated the surfaces of semiconductors under extreme conditions—low temperatures and high magnetic fields. The Hall effect is a kind of resistance created by the Lorentz force which appears as a new, transverse electri-

FIGURE 5

### Twin dodecahedra with “hinge” broken

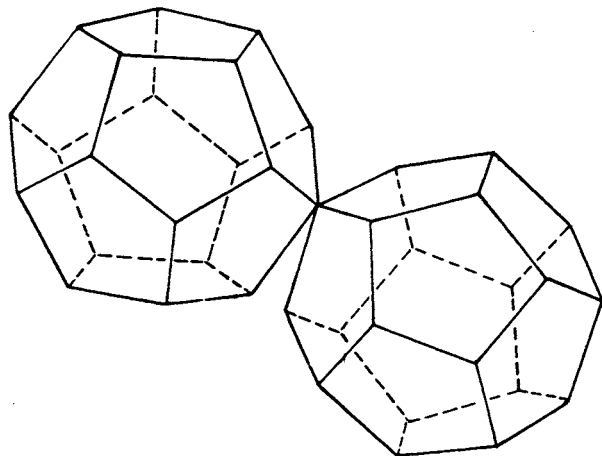


FIGURE 6

Periodic table of the elements

																		NOBLE GASES					
																		O					
																		2					
																		He					
																		4.00260					
																		10					
																		Ne					
																		20.179					
																		18					
																		Ar					
																		39.948					
																		36					
																		Kr					
																		83.80					
																		54					
																		Xe					
																		131.29					
																		86					
																		Rn					
																		222					
																		1					
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cal potential. It is generated when an electrical current flows in a conductor which lies in a plane perpendicular to the magnetic field.

According to a classical explanation, the Lorentz force will deflect the charged particles sideways. The particles will collect on the edge parallel to the electron velocity.

This charge separation leads to the buildup of an electrical field (the Hall field). This can be considered to create a compensating force to the Lorentz force, which ultimately annuls it, allowing an undeflected current to flow. When Klitzing investigated the surfaces of semiconductors under extreme conditions, he found a surprising result: The Hall resistance does not occur continuously, but as a step function, which depends only upon the constant value 25,812.815 ohms, and a value *n*, which depends upon the strength of the magnetic field, and the charge strength.

The value of this natural resistance turns out to be determined by the ratio of Planck's constant to the square of the electron charge—which also is a ratio which determines the

fine structure constant ( $\alpha$  = fine structure constant):<sup>1</sup>

$$\frac{1}{\alpha} = \frac{2h}{e^2 \mu_0 c}$$

Moon was interested in the geometry which underlay the fine structure constant and the Hall resistance. He developed a two-dimensional model for this geometry, and then considered a three-dimensional model which involved the five Platonic solids. This model was like the one described, with electrons, rather than protons, arranged at the vertices of the figure. However, it brings together three, not two, completed dodecahedra. If we allow for one position to be lost by the joining, then there are 137 electrons.

This figure is of significance because it is the integer most closely related to the fine structure constant (1/137.036). The fine structure constant is of crucial importance for the entire concept of quantum physics. Its value, among other things, is the ratio of the velocity of an electron at the lowest level in a hydrogen atom, to the velocity of light.

<sup>1</sup> See *Fusion*, May-June 1986, page 24.



## ‘We grew up confident we could solve any problem’

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*In a recent interview, Dr. Robert J. Moon explained the method by which he came to an exciting discovery regarding the structure of the atom. He began the interview with a backward look at his own development that we thought would be of special interest to EIR readers, because it is a valuable contribution to the ongoing debate today, about how best to educate a new generation of scientists.*

*Dr. Moon was one of the pioneers in the development of nuclear energy. Before World War II, he developed the most advanced cyclotron then known, and he had planned to build a synchrotron. He was prevented from carrying through on this by the outbreak of war. After the war he became intensely interested in research in neurophysiology, and was involved in the development of the CAT scan. He is a professor emeritus at the University of Chicago, and the editor-in-chief of the International Journal of Fusion Energy.*

*Although Dr. Moon has been an experimentalist throughout his working life, he based his doctoral thesis on the theoretical work of the quantum physicist, Louis de Broglie. In his latest work, he has again taken up the battle, begun by Ernst Schrödinger, Albert Einstein, and Louis de Broglie, against the acausal theory of physics promulgated by Niels Bohr, which is still the hegemonic view today.*

*Dr. Moon has applied the geometrical method of Nicolaus of Cusa and Johannes Kepler, for unraveling the nucleus of the atom. Thus, his revolutionary new approach is directly located in the best traditions of mathematical physics, and he brings to it rich insights from his decades of experimental work.*

*Kepler discovered that by embedding the Platonic solids, one within the other, he could closely approximate the average distance of the orbits of the solar system, from the Sun. As he pointed out, he was using this device to identify the fact that the planets were essentially governed by the Golden Mean ratio— $(1 + \sqrt{5}) \div 2$ —since this is the ratio which governs the internal relationships of the Platonic solids, one to the other. Dr. Moon has used a similar approach to discover how the nuclei of the atoms which make up the elements of the periodic table are organized.*

*We print below Part 1 of an interview with Dr. Moon conducted by Carol White. Part 2 will appear in the next*

*issue of Executive Intelligence Review.*

**White:** Dr. Moon, we wanted to interview you about your exciting new theory about the structure of the atomic nucleus, but first, can you tell our readers how you came to make this discovery?

**Moon:** This goes back a long way. I was born some time ago, Feb. 14, 1911, in Springfield, Missouri, when Halley's Comet was about. My mother said she showed it to me. I don't remember that, but I found particular joy in studying Halley's Comet last year. It was very intriguing, as anything of this sort is. So I guess I would say that I was born into this world, and it is an exciting world—a world of many challenges.

**White:** In your new discovery you go back to the method of Kepler, do you not? Were you led to this by your love of astronomy?

**Moon:** That was not exactly what I had in mind. Astronomy has always been a love of mine. Any true scientist is fascinated to try to unravel this living history of our universe, but I was led to my theory more directly from my work in developing the fission reactor.

**White:** Do you consider that you had more or fewer advantages in your boyhood, than young people have today? You were brought up on a farm were you not?

**Moon:** Yes, my father was a lawyer and moved the family to a farm in the outskirts of Springfield when I was eight years old. I found it to be a very stimulating environment, but I think life is just as exciting today. I should say, that all the way through, I have been running into various exciting things to do.

When I was a boy, we had four cars and we lived on 10 acres, out in the country. We had a pig apiece and a cow apiece, each one of us four boys, my three brothers and I. That might not seem so exciting to some, but it was good training for us.

We were busy from morning to night: Milk the cows, separate the cream, and so on, but we did it. Those were the days when you put the cream in a can and left it about 600

feet from the house—on the road. The milk company would come and pick up the cream and leave the can. No one would steal it. That was very interesting. Right up there on the road, we left a nice five-gallon can of cream and no one stole it. Good cream it was, from Jersey cows. We boys had the job of separating the cream. It was done by hand with a Delavale separator.

This was the sort of thing that I grew up with. There were automobiles to repair, batteries to rebuild, generators to rewind, a lathe to turn wood. I built my own lathe to do wood-cutting. We had a lot of trees on the farm and we would cut them down and turn them into lamps and things like that. All of these things were a lot of fun.

Of course, when I was growing up, electricity was first coming into general use. When I was still quite young, I became fascinated with the problem of understanding what made the front-door buzzer work. This raised one of the most fundamental laws of physics, Faraday's law of induction. It is this law which makes the application of electricity possible, even today.

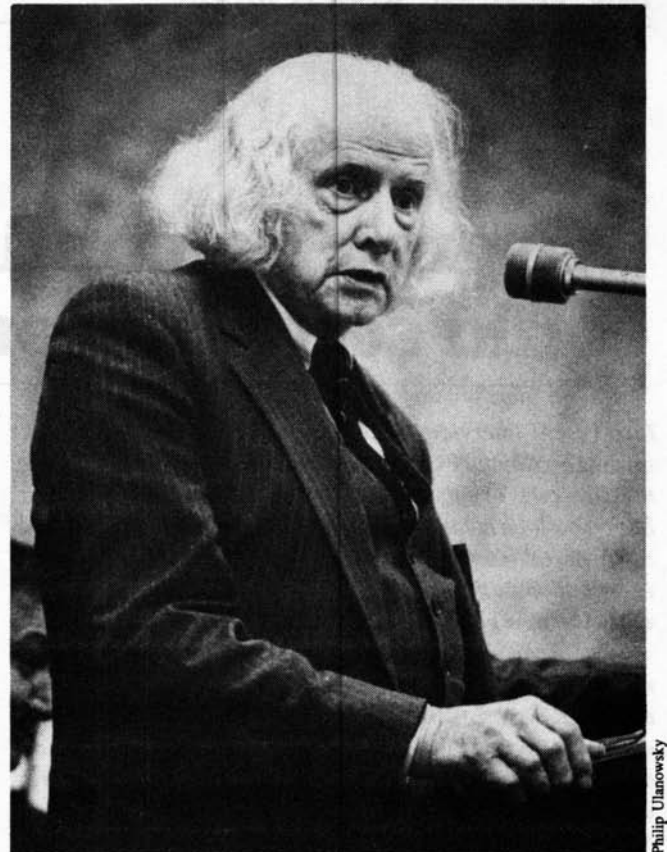
In 1917, at the age of six, I first came upon the idea of a transformer. My aunt had a doorbell buzzer which was connected to a battery—two dry cells in series—and I used it to help her change the battery. One day I saw a bell-ringing transformer in a shop window that was hooked up to a transformer. This was a completely new idea to me.

I already understood Ohm's law, but I did not yet know about Faraday's law. If a buzzer were attached to a normal electric circuit, at 110 volts, it would quickly burn itself out; therefore, it was necessary to use a transformer to reduce the voltage to six volts.

I was fascinated by that buzzer, and with my child's mind I tried to create the concept of a transformer. I understood that the problem was to reduce the current. With my child's mind, I first tried to create the concept of a transformer. At first I designed a series of relays to do the job. I knew that I had to reduce the voltage of the household current about 20 times.

How does a transformer work? That was the question as a child, that I first tried to figure out. Finally, I discovered the existence of things such as impedance, particularly reactive impedance, which doesn't use any energy. The current is made to travel through the reactive impedance, which is created by a coil, around an iron core. This creates a magnetic field. By raising or lowering the current in the coil, the magnetic field strength is changed. An electric current will be induced in a secondary coil, its strength will depend upon the ratio of the number of windings of the first to the second coil, and the change of flux in the primary current.

The principle of the transformer comes from the ratio of the number of coils in the primary wire, compared to the number of coils in the secondary: The ratio of the turns produces the reduction of the voltage. For example, a reduction from 120 volts down to 6 volts, would be a ratio of 20-



Philip Ulanovsky

*Dr. Robert Moon*

to-1. That would be the ratio of the number of turns from one coil to the next.

After figuring out the principle by which a door buzzer operates, I became fascinated with transformers. I began building them, and my next effort was to use a transformer to burn lead. It was necessary to get a very high current at a low voltage.

In a certain sense, this early work of mine ties directly into my most recent area of work. I was beginning to study the notion of reactive impedance.

**White:** Could you please tell us what you mean by reactive impedance?

**Moon:** As a child I had assumed that the only variable which I could adjust in order to increase resistance was to decrease the load on a circuit, thereby increasing the flow of current and reducing its voltage. Once I was introduced to Faraday's law, I not only gained flexibility in dealing with this problem, but I began to consider how this principle could be used to transform and store energy with minimal dissipation. In this instance, the coil windings acted without any of the loss of energy which occurs through resistance.

Throughout my boyhood I was led to this kind of exploration, taking the simple things around me as a jumping-off

point for fashioning my own experiments. Electricity was particularly exciting to me, because it was just taking the place of gas, gas lights. Also the carbon light began to disappear, and the incandescent filament began to take its place. Automobiles began to come.

**White:** How old were you when you began your experiments with transformers?

**Moon:** I was also interested in automobiles. In 1916, we had an Overland. I had the problem of repairing it in the middle of the Jordan River—really a creek. We didn't have bridges then, so we had to drive over the gravel. The car simply stopped in the middle of the creek.

My father went to get some help somewhere, to find a farmer with a telephone. Of course, there weren't too many telephones in those days. Before he got back, I decided that I had better look into the problem, so I began to analyze it.

I turned the headlights on and found that there were no lights, so I decided it must be electrical. I began to explore and found that one of the battery connections was loose. I cleaned it up and put it back on. The lights went on and my father came back. He hadn't found a phone, so I said, "I think the car will go." And it did.

**White:** How old were you then?

**Moon:** I was about 5 years old. Well, anyway, these were the things I ran into, the challenges. Every young person faces the same potential sort of challenges, because we are born into a changing world. We want to be able to provide for a growing population around the world, and so, we can not simply stick on the farm, or rely on existing energy supplies. If we do, we face the problem of running out of the resources necessary to support everybody adequately.

This is the same kind of problem we faced when I was a boy. Farming as we knew it then was changing. U.S. farms today are major scientific enterprises. If we are not to have famine elsewhere in the world, then farmers must get away from the idea of just living on a farm and relying on the weather to produce the food, and so on.

A farm is a great place for a boy to grow up in, but I believe that the growth of cities is very important to the growth of our civilization. Even in American farms, when I was growing up, you didn't know if you were going to starve or have an abundance. It is out of cities that the technology which has transformed American agriculture was developed. A man working in a city can produce the ideas which are necessary to help increase farm production. One example of this, was the electrification of milk production—which goes back to Faraday's discovery of induction.

I think we are still in that same period today, where we face the need to apply the scientific method to increase productivity. I was not so different from other children of my day. We Americans grew up then confident that we could solve problems. It makes me very unhappy today, when I see

children being taught to give up on life, being taught that we cannot possibly feed and provide for a growing world population. Such pessimism destroys the kind of initiative that was common to my generation of young people.

**White:** It's particularly worrying, isn't it, when we see the decaying condition of our cities today.

**Moon:** Yes. Recently, we haven't made a lot of tractors, have we? It seems somehow that we are not making many tractors today, and yet we need farming. We would not want to have the population cut down by hunger, do we, and yet it looks like some people have that idea.

**White:** Getting back to your own development, can you tell us about your schooling?

**Moon:** I went to college in my hometown. It was very interesting, because I was able to do a lot of things on my own, which, more than likely, would not have been possible in a larger college. While I was there, I built a 10 watt radio transmitter. I also maintained my interest in electricity. We had a good electrostatic generator at the college, and I used it to create differently shaped sparks, which I then photographed.

This freedom to experiment in a laboratory is an essential part of a young scientist's education. You can't learn to be a scientist by passively taking in what someone else accomplished. The exciting thing is to define a problem, and then develop the tools which you need to tackle it. That's why my early experience in our farm machine shop was so important to me. Every child should be given a similar kind of opportunity even before he or she enters college.

I would urge college students today, not to get dependent upon computers to do their experiments for them. Even in a larger college setting, there is opportunity to get access to a laboratory for individual experiments. The trick with a physics department or a chemistry department or a biochemistry department, if you want to do a few extra experiments on your own, is to locate equipment that hasn't been used; there's usually a lot of that around.

Anyway that's what I was committed to do. In my hometown college, there was a lot of equipment in a storeroom not being used. That was a great thing for me. Luckily, the laboratory space in the afternoons was all mine. I could use any of the equipment and do any experiments I wanted to do. So it was a lot of fun. These are things I think that every child deserves, and they are also important for the leisure-time activities of adults.

**White:** You went to college in the 1920s. What were the important scientific issues then?

**Moon:** I graduated from college in 1930. Fusion energy was important then. People today tend to think that fusion energy was a by-product of getting the hydrogen bomb, but that isn't so. Already in the twenties, we understood that the stars were

fusion energy generators.

The thing that was going on, that made scientific work particularly exciting for me, was very much connected with fusion. This was right before the Depression, and there was a lot of talk about our being on the brink of a new millennium, a thousand years of peace and prosperity in which there would not be any sickness, and so on. This led me to wonder what would be the energy source to fuel this prosperity over the millennium.

We knew about the heat of the stars at that time, despite the fact that physics had not yet advanced to its present knowledge. The chemists had gone far enough. By comparing the molecular weights of hydrogen and helium, they had determined that four hydrogen atoms went together to form helium. This would produce quite an excess of mass, which could be used to make the energy which is found in the heat of the stars.

The fusion of hydrogen atoms to form helium was also shown by astronomers, who found that old stars had a lot of helium and little hydrogen, while the young stars had a lot of hydrogen and little helium. So, therefore, the process was hydrogen going to helium and producing energy, a nuclear fusion process. That's what our Sun is and was, I guess, from the very beginning, a massive fusion reactor.

Knowing that that process occurred in the stars, immediately suggested the possibility of achieving fusion here on Earth, and using it as a source of energy to fuel production, and so on. So, I guess that was one of the big callings that I had, as I began to plan my future as a scientist. That seemed something I had to do—tame fusion power.

**White:** What led you to choose the University of Chicago for your further studies?

**Moon:** I know many people who apply to three or four colleges to get admitted. They get into two or three of them, and then they finally decide where to go. For me it was a very much simpler process. I began reading the scientific literature. And when you read the literature, you find out where the work is being done, what you are interested in. So I went up to the University of Chicago because Prof. William Harkins was there. He published quite a bit on the neutron, though they didn't call it the neutron then. In 1917, he had written a whole series of papers on it. I still have practically all of his papers.

That led me to the University of Chicago, because Harkins was a physical chemist at the university. I came to the physics department, and said: "Here I am." I already had in mind a design for a fusion energy experiment.

My idea was to direct electron beams onto proton beams, pulse a magnetic field, and condense electrons onto protons. I expected to get helium. That was the experiment which I wanted to do for my doctorate.

But I had to contend with the entrenched bias of the physics community. Since the renowned British physicist,

Rutherford, who had discovered the nucleus in the atom, said that there was nothing new to be learned from nuclear physics, that was the revealed truth of the time. So, as far as the University of Chicago physics department was concerned, that was that. It turned out that I was the third person to be summarily turned down by the physics department. The others were Robert Milliken in 1920 and Sam Allison in 1925. They went to work directly with Harkins instead. When I came along in 1930, I got the same response. They were pretty certain about Rutherford's edict.

Harkins actually worked for the chemistry department, so I switched over to there, and Harkins took me right away. We started building equipment. I wanted to do the fusion work and had to get some equipment for it.

But I changed my plan, because while I was there, another revolutionary discovery in physics took place. It was well established that a wave behaved like a particle on occasion, but now I learned of a particle beam behaving like a wave. The French scientist, Prince Louis de Broglie, who had developed this exciting discovery in his doctoral thesis, had said that an electron could be a wave, that any particle could become a wave. At the fifth Solvay Congress in 1927, he had presented the second solution to the Schrödinger equation. I was very much interested in that. (This second solution very much later turned out to be the quantum potential, which was rediscovered by David Bohm some years later, about 1951.)

**White:** Can you explain how the wave can behave like a particle a bit more?

**Moon:** This had been seen previously in the photoelectric effect. If radiation is directed to a metal, the metal can be made to emit electrons. Contrary to intuition, however, the speed of the electron will be a function, not of the brightness of the radiation (its amplitude), but of its frequency (minus the contact potential of the metal). This is expressed by stating that the energy is equal to the frequency times Planck's constant of action.

In Chicago, I worked on replicating a similar experiment, in which an electron beam was passed, accelerated through a medium, which was then made to emit radiation. This was the Franck-Hertz experiment, which had been done in Germany. The experiment requires an evacuated chamber to be filled with mercury vapor. A cathode emitting electrons is placed inside the chamber, and the electrons are accelerated through the mercury vapor in which an electric field is maintained. The electrons keep gaining in energy until they reach a certain voltage, when two things occur. There is a sudden drop in the current collected by the anode; and light is emitted from the mercury vapor. That light is the beautiful resonance line, the 2735 resonance line of mercury [2735 Angstroms or 0.2735 microns].

It is a very intense line. If you look it up in the spectrographic tables you will see how intense it is—about 20,000. This immediately shows the relationship between the energy

of the electron [voltage] and the frequency [wavelength] of the mercury resonance line,  $E = h\nu$ , where  $E$  is the energy,  $h$  is Planck's constant for the smallest increment of action on the subatomic scale, and  $\nu$  is the frequency in Hertz (cycles per second) of the emitted radiation.

This gives a fairly good determination of Planck's constant,  $h$ . Looking back on it, this Frank-Hertz experiment was one of the precursors to the development of the laser, although of course, we didn't know this at the time.

This was what was going on during the 1920s, which led to great excitement: The quantization of action on a subatomic scale as represented by Planck's constant and its measurement in the Franck-Hertz experiments.

In general it takes a long time to build good experimental equipment. Besides these basic experiments, I ended up building a 50-inch cyclotron, the Chicago cyclotron, which weighed about 50 tons altogether. This was the first scientifically engineered and fully designed cyclotron, which was built in the early 1930s. This was a superior machine to the one which Ernest Lawrence had at [the University of California at] Berkeley.

**White:** What happened to your plans to study fusion energy?

**Moon:** I decided to study the diffraction patterns created by electrons, in the surface of oleic acid. [This acid is made by purifying olive oil in a vacuum distiller over a period of several weeks.] I was trying to observe the wave properties of particles, which de Broglie had identified. I was very excited to realize that rather than existing as isolated particles, every electron communicated with every other.

De Broglie's work raises very profound philosophical questions, because it is necessary to account for the fact that electrons traveling through a narrow opening, a slit, interact with each other—as waves—even when this would apparently not be possible. For example, when one electron follows the other with a time interval of an hour between, still they "interfere" with each other, so that the first electron exhibits diffraction rings. It appears to know and react to the existence of the second electron.

**White:** Clearly, discrete space and time as we perceive it does not exist, or at least, it is not the realm in which causal action takes place in the universe.

**Moon:** I decided to devote my doctoral thesis to carrying out more delicate experiments with electron diffraction, based on the theories of de Broglie. I studied the electron diffraction of the surface of liquids with a very low-energy electron beam—less than 50 electron volts. With electron diffraction, I was able to "see" the structure of liquid surfaces. In fact, I was able to find the structure of molecules that way.

These developments relate directly to other exciting things, more recent developments, which in turn led me to the realization of my model.

*To be continued.*

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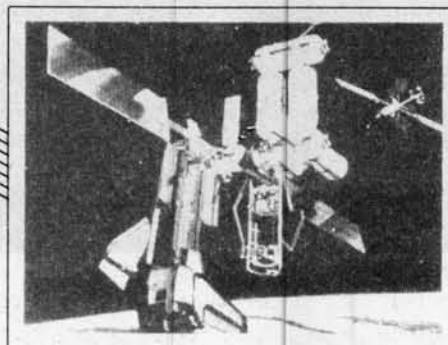
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EIR is commemorating the assassination of Indian Prime Minister Indira Gandhi on Oct. 31, 1984, by reprinting the following poem by Kenneth Kronberg. It first appeared in Congress Varnika, the official journal of the ruling Congress Party (I) of India. The author has recently directed the Schiller Institute Research and Education Fund's production, in Leesburg, Va., of *The Parasite*, a newly translated, full-length comedy by Friedrich Schiller.

**In Memoriam  
Indira Gandhi  
died October 31, 1984**

I

Ascending now the steep steps at Jaipur,  
The watchman paused, held up his lamp;  
Below, the moonlight shimmered like a gauze  
Of purple muslin, and the wind was damp.

A little further, on the arch above,  
A solitary figure plies his trade:  
With sextant, glass, and astrolabe,  
He plots the stars' emerge from evening shade.

"What see you, father?" cries the guardsman out  
(As torchlight wheels, and ashes fall);  
What future profit do the stars reveal?  
Will Fate betray us, all our hopes recall?"

And, turning from his hoops of beaten brass  
As if to wake, the sire replies:  
"Dear son, my measures cannot scan our fate,  
For God's not dicing with the patterned skies—

The circles of the stars are moved by One  
Who Law upholds, not moment's hire. . ."  
"But surely, father, some small sign He shows,  
Some silent message echoes my desire?"

The watchman placed his torch upon the fire,  
Awaiting answer to his quest;  
The elder put his instruments to rest,  
And challenged, said, "My son, what men call blessed

Are not the birdsongs' momentary joys;  
Such things soon fade, as lotus hues;  
These lustrous forest minstrels were but made  
To image the unfolding of God's muse."



Painting by Gary Genazzio

Unchecked, the guardsman did his cause pursue.  
The night was still; an owl swooped past;  
No soul disturbed their discourse thus, until  
The dawn spread open to the world at last.

## II

Above all else, what endeared her to us  
Was her toughness of intellect, the star  
She wore diamondlike in the Indian sky.

She was descendant of a nation-building  
Family, and sought to lift her people  
Upon the pinnacle of history.

Now she is gone, this jewel whose enemies  
Called tyrant. Harsh winter whistles through the trees.  
They, they will inherit this barrenness.

## III

The "Discovery of India," she knew,  
Was India's discovery anew  
That ancient pathways strengthen our resolve  
To generate the future, to evolve—

That knowledge of the past will guide our way,  
As God's untested spacecraft we embark,  
To lift us beyond height, whence we survey  
The mobs of ignorance, suspicions dark—

That misery and tumult, pain and want  
Are not man's state of nature, but a cave,  
Whose depths may be illumined by a spark  
Brought down from heaven, to emblaze our hearts.

Beside man's hearth there burns a sacred fire,  
Nurtured by huntsmen 'gainst the starlit night;  
O, let the orchids that adorned her pyre  
Become the blossoms of that holy light!

For the India she saw, was never known  
Except as past and future, never shown  
Except to those whose vision could contain  
The lofty Himalayan mountain range.

Her ashes blow, they billow in the wind;  
Like birds they twist, they soar beyond our sight;  
Remember us, Indira, on your flight;  
Bear witness to things greater than our sins.

How rare those moments, when our eyes reveal  
A beauty born of certitude and warmth;  
How short those glimpses, which above we steal,  
To recognize God's triumph over death!

Let the stars' celestial motions  
Unwind flowerings of grief;  
Let her fathers' secret ages  
Mourn nobility too brief.

## IV

"From fairest creatures we desire increase";  
From all God's creatures we desire increase;  
From each and every flower and leaf  
Our hearts burst open for the soul's release.  
Our Bard, who fashioned music from the rude,  
Unfinished letterings of earthy men,  
Bequeathed to us a father's attitude  
Toward those who seek their nurture from our pen;  
For wisely sang he praise of nature free,  
Of love and beauty, twilight, of the Age—  
What star amongst us dare to sing as he,  
Unstrained, the precious goodness man attains?  
Indira, like Shakuntala, fly o'er:  
Lead continents of children to explore!

Kenneth Lewis Kronberg  
10.25.86

## NOTES

*Jaipur* Greatest of the 18th-century astronomical observatories built by the scientist-statesman Jai Singh.

"*The Discovery of India*" Jawaharlal Nehru, Mrs. Gandhi's father, wrote this history of India while imprisoned during the 1940s.

"*From fairest creatures we desire increase*" The opening of Shakespeare's sonnet series, the great fugue which charted the laws of verbal action in the English language.

*Shakuntala* Heroine of the drama by Kalidasa, the fourth-century author considered to be the greatest poet and dramatist of Sanskrit literature.

Work on this poem began in earnest the day after the explosion of the Space Shuttle *Challenger*.

## October financial crisis happened on schedule

by Lyndon H. LaRouche, Jr.

*Introduction: During the spring of 1987, candidate LaRouche forecast that under then-existing economic policies, the U.S. financial markets would slide down over the interval between August and October, and reach the brink of a major financial crash during the month of October. (See Executive Intelligence Review, June 5, 1987; also an early summer radio interview on New York's WABC-AM "Bob Grant Show.") The candidate is a leading authority in the science of physical economy, and has been one of the most successful economic forecasters over the 1980s to date. He summarizes the most important facts about the Oct. 6-16 crash in the Dow Jones Index. Mr. LaRouche released his statement on Oct. 17.*

George Santayana is often quoted as warning that those who refuse to learn from history are doomed to repeat it. So, as a result of repeating the mistakes of Coolidge and Hoover, since the 91-point Dow Jones plunge of Tuesday, Oct. 6, the published interviews with administration officials and Wall Street financial analysts echo the wishful delusions of Coolidge and Hoover officials under similar circumstances over the period 1927-31.

It is too soon to say that the October panic on Wall Street will be the big financial crash leading European bankers have been forecasting for six months. The governments and central bankers of the International Monetary Fund's G-7 group of leading industrialized nations could conceivably postpone the full-scale panic for a few more weeks or months. If the big crash comes in October and November, it will be because, as leaders in Europe and Japan are saying, the Reagan administration is so committed to the myth of "59 months of recovery," that it refuses to accept and act on the reality of the situation.

The tendency of many people will be to go off half-cocked in one direction or another. Some hysterics will insist that "this is only a correction in the bull market"; others will cry that "the sky has fallen." For the moment, until we see which way the situation turns during the coming two weeks, cooler heads will stick to three facts about the developments of the Oct. 6-16 period.

1) The world came up to the edge of an inevitable financial crash during





Jeanne Kasprzak

*Crowds gather at the New York Stock Exchange on Oct. 20, 1987, the day after "Black Monday."*

October trading. What has happened up through Oct. 16, is a financial earthquake about 6.3 on the Richter scale; it is not yet the big financial earthquake, between 8 and 10 on the Richter scale, which we are expecting sometime soon.

2) Whether the expected big crash occurs during late October or November of this year, or later, depends upon how the Reagan administration reacts to the events of the past two weeks.

3) Ignore what the Wall Street financial analysts say to the press. No one has a crystal ball on the situation, including the economist, LaRouche, who called the October crisis on the button six months ago.

How and when the big crash comes, depends upon interaction of four factors:

1) The international and U.S. economic situation, without considering the monetary and financial market statistics and trends.

2) The interaction between the economy and financial markets.

3) Political decisions by governments and the establishment generally.

4) Strategic factors, including breaking developments in the Persian Gulf, South America, the Far East, the U.S. defense budget, and the scheduled Reagan-Gorbachov summit.

Concentrate on the first two points. Most so-called experts, including the stock brokers and the Reagan administration's officials, make very foolish predictions about both the economy and financial markets. The root of their blundering is that they refuse to recognize the differences between real

economy and monetary processes; as a result, they confuse these two very distinct factors. As a result of not recognizing the differences, they are unable to understand how these two very different sets of phenomena interact.

As the only presidential candidate who called the shot on these developments, and as an economist, I explain a few of the ABCs.

### **Twenty years of illusion**

Since President Johnson introduced the "post-industrial society" to official U.S. policy, back during 1967, all of the Western economies, excepting Japan's, have suffered a long-term collapse of productivity and tangible investment in agriculture, manufacturing, other industry, and basic economic infrastructure.

The level of development of U.S. basic economic infrastructure peaked in 1970. Since then, earlier investments in infrastructure have been rotted out by lack of maintenance, to the point that we would have to invest more than \$3 trillion in repairs today, to bring water-management, production and distribution of energy, general transportation, and basic urban residential and industrial infrastructure back to 1970 levels of quality per capita.

Agriculture has been collapsing since 1977-79, and is now in an accelerating state of collapse worldwide. The percentage of the labor force employed in goods-producing manufacturing and other industries has collapsed to levels of the early 19th century, while real productivity of operatives has fallen as a combined result of lack of tangible investment, lack of growth of energy supplies, and the accelerating spread

of functional illiteracy into even the ranks of high school and college graduates.

If we factor depreciation of basic economic infrastructure as a cost of production, as we should, the real output of the U.S. economy per capita of adult population has been collapsing at an accelerating rate for about 15 years, especially over the recent 10 years.

Worldwide, the situation in Britain is far worse than in the U.S.A. Italy is in a state of collapse. West Germany is falling fast, although it has not yet fallen to U.S. levels. France, the most nationalistic of all Western industrialized nations excepting Japan, has resisted the trend better than the Americas and most of Western Europe, but France is suffering the effects of the same general trends.

Yet, during most of the same 20 years, the official statistics show these collapsing economies to be growing. In part, this is because of inflation, and the natural tendency of politicians in power to order official statistics to be faked in anticipation of the next elections; the rate of inflation has been understated consistently. Even if we assumed that the rate of inflation is no greater than official statistics state, it appears that the gross national product of these economies has been growing.

Since the present Gross National Product system of national income accounting was introduced, during and following World War II, governments and supranational economic and monetary authorities have been using a yardstick which measures the financial growth of economies, but not their economic growth. The yardstick used is "value added," the difference between the price of purchases and the price of sales. The total of the estimated "value added" is then seen as Gross National Product. The result has been that Gross National Product never has better than an accidental relationship to economic growth.

For example, suppose I shut down the physical production by General Motors in all categories. General Motors shifts from producing goods, into a combination of reselling imported products plus investments in real estate and other financial speculation. However, General Motors hires more clerical and sales personnel than earlier, to handle the administration and sales functions of the new lines of business. Under certain conditions of this kind, the "value added" shown on General Motor's books will be even higher than during the time it was still producing useful objects.

This has been the trend in the U.S. economy over the past 20 years. A smaller ration of our workforce is employed in producing wealth, while an increasing ration of the workforce is employed in "overhead burden" occupations of administration, sales, and relatively unskilled services.

On top of this "post-industrial" shift into becoming a "services economy," has been piled a vast bubble of financial speculation in real estate and even outright "junk bonds." The "value added" shown on the books of poor financial speculation has become the key margin of growth in apparent U.S. Gross National Product.

## The big bubble

To understand what has happened on Wall Street over the Oct. 6-16 period, the fundamental distinction between economy and financial markets must be recognized.

"Economy" means "physical economy": the production and distribution of useful kinds of physical goods to productive enterprises and households.

We measure this in terms of two factors, the amount of physical production per capita, and the amount of physical production per square mile of land in use. Since human productivity is affected by the level of cultural development of the workforce and managements, as well as the physical well-being of the households from which the workforce is recruited, we include categories such as direct production management, science, and engineering, education, and health care and public health services as part of the direct labor cost of everything produced.

Every other form of employment and income-related activity is part of the "overhead burden" of the physical economy.

Over the past 20 years, especially the past 15 years, the physical economy of the United States has been in decline, but the Gross National Product has been rising during most of these years. The difference is that real growth is measured in terms of physical output and productivity rates in production of physical output; Gross National Product is measured in terms of financial data.

Without understanding the fundamental difference between the two kinds of measurement, it is impossible to understand why the world's biggest financial crash is coming, and what happened to the stock market this month.

A purely financial market is measured in terms of what is commonly termed a "price-earnings ratio": For example, the ratio of the price of a stock to the combined dividends and retained earnings of a corporation. Under normal conditions, "earnings" have a significant connection to real production; the net earnings of farms, industries, and utilities are a large factor in determining the market price of common stocks, and so on. Under normal conditions, a price-earnings ratio of between 10 to 1 and 20 to 1 would be competitive.

Compare such a normal range of price-earnings ratio to the price-earnings ratio on the American financial markets today. By normal standards of the 1950s or early 1960s, the market is floating in the vicinity of 1,000 to 1. The amount of combined dividends and retained earnings from production available to holders of financial paper, is floating near 1,000 to 1.

This has happened because the price-earnings ratio is being determined by financial capital gains on actual or expected resale price of financial paper. Financial analysts describe the result by saying that "financial markets are highly leveraged." Financial paper is sold at prices based on expected financial capital gains, at a time when the ratio of expected capital gains of this sort is many times the amount of real earnings from production.

Worse, most of the holdings of financial paper are based on credit borrowed at very high prices compared to levels of interest rates during the 1950s and 1960s. This includes so-called “creative” forms of financial assets, including “junk bonds.” Raising the Wall Street stock market to above 2,700 points on the Dow Jones Index, has depended upon a massive flow of inflationary credit of this sort into markets, plus heavy inflow of cash dollar assets from Saudi Arabia, Japan, and Western Europe. The higher the price of stocks zoomed, the more inflationary credit, plus Saudi, Japanese, and European cash was needed to cause the market to continue rising.

If this did not occur, if the stock market ever slowed its rise in prices significantly, the source of new capital gains would be dried out. Without new capital gains of that sort, the market would spin into a chain-reaction collapse.

So, the growth in financial markets—in Europe and Tokyo, and well as the United States—has been a classical financial “bubble,” like John Law’s famous “Mississippi bubble” of the early 1700s, and the South Sea Bubble which popped in Britain during the same period. It is a “bubble” like the “Pyramid Club” fad which victimized many duped U.S. citizens during 1949, or the famous “Ponzi” scheme earlier. It is a “chain-letter” scam, which collapses once the market runs out of an expanding number of suckers to pay into the scam.

Sooner or later, the Wall Street financial bubble, and the giant U.S. real estate bubble had to pop, and carry the already depressed U.S. economy into a deep depression with it. By spring of this year, it was clear that the bubble had been stretched almost to the breaking point.

### **How the bubble is being burst**

The bubble was ready to burst at the end of 1981. My associates and I warned this was coming at the beginning of 1982. During the spring of 1982 I warned the world that a “debt bomb” was about to explode in Central and South America. I forecast the explosion to begin during the period of August and September that year.

At the request of leaders of some nations of Central and South America, in June of that year, I wrote a detailed report, titled *Operation Juárez*, explaining the nature of the crisis, and detailing the measures which both these nations and the U.S. government must take. Copies of this report were delivered to both the Reagan administration and governments of Central and South America during the first week of August 1982. About two weeks after my report had been delivered, the debt bubble popped in Mexico.

During a period of about two hours, the world financial system wobbled on the brink of a “new 1931 collapse.” President Reagan telephoned Mexico’s President José López Portillo. This telephone call saved the world’s financial markets for a moment, but the crisis continued.

President López Portillo acted as my *Operation Juárez* report specified. The world was saved for another month. The governments of Argentina and Brazil promised to sup-

port Mexico’s policy, but both later broke that promise. The Reagan administration rejected my *Operation Juárez* option, and moved to crush and loot Mexico, and to proceed to loot every nation of Central and South America. Wall Street had demanded this; the Reagan administration capitulated to Wall Street.

By various tricks, since October 1982, the Reagan administration and the IMF have bought five years of continued existence of the sick old financial system. For this five years, we have paid a terrible price. What could have been the easily manageable “debt bomb” crisis of 1982, has been pyramided into the biggest financial crisis in history.

During 1983 and 1984, and on into 1986, defenders of Reagan administration policy told me: We rejected your policy in October 1982, and we have succeeded in delaying the crash for five years; we can delay the crash another five years if we choose to do so.

In April of this year, I shot back: You are near the end of your rope. During the August-October period, you will come right up to the brink of the biggest crash in history; it might just go all the way. Even if you get out of October without a crash, you will not be able to stop the crash, under present policies, for more than a few weeks or months after that. The probability is that the crash will explode this autumn.

They replied: No, it is you who are wrong. Your analysis of the problem is right, but your forecast is wrong. You will see, we will delay the crash until after the 1988 elections, and George Bush will be elected the next President.

I was right; they were wrong. It is still barely possible that the main part of the worldwide financial crash could be put off for a few more weeks or slightly longer. It is not likely that any Republican candidate will be elected President in 1988, or 1992, or 1996. The memory of Herbert Hoover’s Great Depression will hang around the neck of the Republican Party for years to come.

### **Financial forecasting**

In physical economy, we are able to predict cause and effect with rather good precision; no one can predict a crash with exactness. The reason for this difference is elementary. Physical economy is essentially a branch of physics; we can not predict with quite as much precision as we can predict in ordinary physics experiments, but the situation is about the same in principle. Developments in financial markets are a mixture of physical realities and psychological-political factors, with enough elasticity that events like financial crashes in markets can come either earlier or much later than conditions are fully ripe for such developments.

I made my first serious forecast at the end of 1956. I forecast a deep recession would begin about March 1957, and that the recession would hit with full force about September 1957. It happened that way. At the end of 1957, I estimated that the financial collapse of 1957-58 would bottom out about the middle of 1958; that happened as the central bankers ambushed major speculators, and taught them a pain-

ful lesson during the spring of 1957.

My second major economic forecast was nearly as successful. I forecast that the first of a series of financial crises would hit the Bretton Woods monetary system during the second half of the 1960s, as early as 1965. I underestimated the Kennedy administration, which stimulated the economy with the combination of its Apollo program and the Kennedy round of investment tax-credit incentives. The monetary crisis did not erupt until the interval between November 1967 and March 1968. The second major monetary crisis hit over

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*I am not running for President on the banner of the new depression; I am running on the platform of the recovery. Don't flounder there, screaming and drowning about the \$4 or \$5 trillion doomed to be wiped out by the crash; join me in swimming out of this mess. Let us get back to work, producing real physical wealth once again; with enough working . . . we shall all survive quite well. . . .*

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the period May-August 1971.

I did better in October 1979. I forecast that the Volcker measures instituted that month would set off a major recession beginning February 1980. A few weeks later, my associates' computer-assisted forecast gave what proved to be good estimates of precise dates and depth of the 1980 recession. Our forecast was the only accurate forecast published during the years 1980-84; the leading competitors, such as Wharton, Chase, and Data Resources were way off the wall.

Then, during 1983, the Reagan administration and Federal Reserve System began to fake their published statistics as never before in U.S. history, so that it became impossible to make precise forecasts with available statistics. Nonetheless, even without usable statistics, our general estimates on trends continued to be the most accurate available.

Good forecasting of monetary developments means starting with a sound economic forecast. This defines the situation in which the financial markets and related monetary developments are being shaped. The governments and central bankers have a wide latitude of things they can do to delay a crash when a crash is already overripe. So, to forecast monetary developments, one must imagine oneself inside of the mind of the money managers. One must imagine what they

might be able to do to postpone the crash as they wish to do. One must see what they will attempt to do, and then ask oneself if that can be made to work.

By spring 1987, it was clear to me that Treasury Secretary James Baker and Federal Reserve Chairman Paul Volcker were running out of monetary options. First, the dollar was collapsing on world markets; that meant that interest rates were going to begin climbing upward again within two or three quarters. Once the overstretched financial bubble was caught between the Scylla and Charybdis of a falling dollar and rising interest rates, the show was at an end.

As long as Baker and Company were able to inflate the U.S. financial markets, and draw down large cash contributions from the Saudis, Western Europe, and Japan, the financial bubble could be kept intact. So, from the time the crash was set into motion, by the London stock market deregulation of autumn 1986, the biggest worldwide financial crash was being prepared by a temporary expansion of the financial bubble. However, as a falling dollar put pressure on shaky bond markets, which began in the spring of 1987, a self-feeding spiral of collapse was building up in bond markets, behind the other parts of the financial markets.

This meant, that to keep the U.S. financial markets up, Baker and company would have to inflate the markets; however, to defend the bond markets, Baker and company would be pushed into raising interest rates, and would thus force Western Europe and Japan to do the same. Rising interest rates, combined with a continued slide of the dollar would nullify the Louvre monetary agreements on supporting the dollar.

This could not be delayed much beyond early August 1987. If this began to build up during August as it must, after the end of the third quarter, about Oct. 10, the first seismic shock of a new worldwide crash must hit. It could go all the way, to become immediately the big crash the world was expecting; or, it could be just the first shock, with the big shock to come weeks later.

In other words, to forecast major turns in monetary processes, we must first identify critical boundary conditions, at which the psychological-political factors break down. A vise of combined falling dollar and rising interest rates is that sort of boundary condition. The governments and money managers can not resort to inflationary tricks on the scale needed to stimulate financial capital gains at the rates needed to hold up the markets; that would blow up the markets. The alternative to inflation, rising interest rates under conditions of declining dollar values, sets up the conditions for a deflationary blowout.

The only alternative to this, under existing monetary policy, is imposing a very savage sort of austerity, of the kind governments would rarely risk during an election year. The only other alternative, is to scrap existing monetary policy, and to reinstitute the strict regulations needed to stabilize currencies, government bonds, and keep open the doors of banking institutions. That would work, but it would mean

scrapping every economic and monetary policy of both the Carter and Reagan administrations.

In 1787-89, the United States was at the edge of national bankruptcy. Benjamin Franklin, George Washington, Alexander Hamilton, and others recognized the nature of the problem, and organized a constitutional convention for the purpose of creating the kind of strong federal government needed to reorganize the economy.

The combination of the strong presidential system, under the new Constitution, and Washington's and Hamilton's organization of what was called "the American System of political economy" rapidly transformed the economic situation. In that sort of economy, described in Hamilton's reports to Congress on the subjects of public credit, a national bank, and manufactures, was established a different sort of economy than the chaotically deregulated mess we have today. In such a national economy, accurate economic forecasting is much easier to accomplish than under the present sort of chaotic, deregulated, and bankrupted "free trade" system.

Under the American System of Washington and Hamilton, financial flows are tied very closely to both tangible investment and production rates. In that system, earnings on production and financial earnings of enterprises are very nearly in correspondence. So, in that case, an economic forecast is also a very good estimate of financial trends, as it is not under the monetary order of the past 20 years.

For that reason, if we respond to the present crash by returning to the principles of the American System—as we must if we are to get out of this depression—we can forecast the results with much better precision than has been the case over the past 20-odd years. In other words, we can promise what will work, and how well it will work, with rather accurate estimation.

## **What I will do as President**

The first thing I must do as the next President, is to declare a national economic emergency. This permits the federal Executive and the Congress to take a series of measures to bring the financial situation under control, and to launch a general economic recovery.

The emergency powers of government must be used to reorganize the Federal Reserve System, to the effect of establishing a national bank along the lines of Washington's Bank of the United States.

The Federal Reserve System ceases to issue Federal Reserve Notes. Instead, the President sends an emergency bill to the Congress, under the authority of Article I of our federal Constitution. This bill authorizes the Treasury to issue at least \$500 billion of Treasury currency-notes. These notes are loaned through member-banks of the Federal Reserve System at federal interest rates of between 1% and 2% for an approved list of applications of such loans.

These loans, which will total several trillions of dollars during the four years of the next administration, will get the economy moving again.

The President must act under emergency powers to impose those measures of federal regulation of foreign and interstate commerce, and foreign exchange, provided under Article I of the Constitution. These measures stabilize the dollar, and foster a revival of general transportation, energy production, and hard-commodity trade.

The President must not only mobilize a strict and effective defense of the U.S. dollar and government bonds; the doors of essential local banks must be kept open for business, and the savings of depositors defended at par value. Other financial paper, except new loan issues, will be allowed to float down to stable levels in an open market.

Foreign trade balances must be defended by help of both exchange controls and export-import licensing. A gold-reserve system, somewhat like the pre-1968 arrangements, must be reestablished, with monetary gold at a fixed price corresponding to the fair market price of newly produced gold; this is needed as part of the measures to defend both the U.S. dollar and the value of government bonds.

Loans at low interest rates must be channeled into investments in capital goods and other operating capital for production, in agriculture, industry, basic economic infrastructure loans to federal, state, and local agencies and utilities, and for export production loans.

The tax laws must be immediately revised to provide investment tax-credit incentives to investors, banks, and private savers. All available credit and savings must be mobilized to build up employment in production and marketing of useful physical output, with an included target of 5 million more manufacturing jobs for operatives added during the next four years.

Let us sum up the situation facing us.

"Yes, John, we are plunging into the Second Great Depression of this century, potentially a depression much worse than that of the 1930s. What's the point of yelling at a man who has fallen overboard, over and over again, 'Hey, guy, you are drowning!' The thing to do, is to concentrate on helping the man to learn to swim, and that very quickly."

The first shock of the biggest financial crash in history has happened. The next, bigger shock, is about to hit, either immediately, or soon enough. No need to dwell much longer on that fact. The point is to start swimming to safety; we ought to concentrate our attention on that. We are going to pay for the mistakes of the past 20 years, but why think about that any more than we must? The place to concentrate our energies is on the recovery.

I am not running for President on the banner of the new depression; I am running on the platform of the recovery. Don't flounder there, screaming and drowning about the \$4 or \$5 trillion doomed to be wiped out by the crash; join me in swimming out of this mess. Let us get back to work, producing real physical wealth once again; with enough working, producing the physical things we need, we shall all survive quite well, and find ourselves able to bring our financial affairs back into order once again.

## 'The kind of thing no fish would bite on'

by Criton Zoakos

Early in the morning of Oct. 24, in Brussels, Belgium, Secretary of State George Shultz, while reporting to the NATO allies the proposals which Mikhail Gorbachov had put forward to topple this year's projected superpower summit, described them as "the kind of thing no fish would bite on." Shultz's failure to "bite" on Gorbachov's new proposals has directly led to a new dramatic turn in U.S.-Soviet relations: All of a sudden, after the euphoric days of the Sept. 17 "agreement-in-principle" on elimination of intermediate nuclear forces (INF) from Europe, the two superpowers are at a new turning point, where any chances for an INF agreement are fast receding into the uncertain, distant future, chances for a summit between President Reagan and General Secretary Gorbachov have been virtually eliminated, and where, once again, the commitment of the United States to pursue its Strategic Defense Initiative (SDI) program is the central issue of contention between the two superpowers.

Soviet Foreign Minister Eduard Shevardnadze, in the aftermath of the abortive Shultz-Gorbachov meeting, told the public, "The Soviet Union considers a continuation of the SDI a violation of the [1972] Anti-Ballistic Missile Treaty," and that Gorbachov "restated his readiness to meet President Reagan to sign an agreement on INF, but mainly to determine the key provisions on strategic defense and the preservation of the Anti-Ballistic Missile Treaty."

What were the "things no fish would bite on," that Gorbachov offered to Shultz during their four-and-a-half-hour meeting? According to an official TASS release, Gorbachov made three proposals: First, that the United States should "agree to legally record an obligation not to use the right to

withdraw from the ABM Treaty for 10 years, with strict compliance with the treaty"; second, that "from Nov. 1, a moratorium be announced on all work in connection with [medium-range and short-range missiles] production, testing, and deployment"; and, third, that "all work" be suspended at the Soviet radar in Krasnoyarsk and the "U.S. radar in Scotland."

The TASS release also made it clear that Gorbachov's vision of a summit with Reagan this year was simply that of a preparatory meeting, which was to have led to a follow-up visit of the American President to Moscow, in early 1988, where Reagan was to have signed away the SDI: "Mikhail Gorbachov," TASS said, "suggested, without losing time, that the work to coordinate positions in the field of strategic offensive arms and space at the talks in Geneva and at other levels be intensified so that, at a meeting, which is being planned for this year, with the President of the United States, it would be possible, along with the signing of a treaty on medium- and short-range missiles, to record an accord on the key provisions of future agreements on strategic offensive arms and space, which, in their turn, could be signed during Ronald Reagan's reply visit to the Soviet Union."

This was not to be. George Shultz, under the watchful eye of National Security Adviser Frank Carlucci, who accompanied him to all his meetings in Moscow, explained to the international press, after the debacle: "I don't need to say again, but I think it is important to emphasize, that we in the United States, and the President, feel very strongly that we must be able to do everything we can to see if we can learn how to defend ourselves against ballistic missiles. This is in



Stuart Lewis

*Soviet Foreign Minister Eduard Shevardnadze (with white hair), during meetings in Washington, D.C. in September, when a "breakthrough" toward an arms-control treaty was announced. Now, the smiles are gone, and the summit is on the rocks.*

the interests of our own security, the security of our friends and our allies. . . . We believe that the Soviet position linking strategic arms reductions to the changes in the ABM Treaty is not warranted. . . . As far as the space defense area is concerned, the Soviet Union has put forward various proposals, we put forward various proposals. They don't seem quite compatible at this point. Perhaps it is that our objectives are not compatible. So, if your objectives are not compatible, you can dance around the details of it for quite a while, but not get anywhere."

### **SDI: No bargaining chip**

President Reagan, right after he was briefed by telephone by Frank Carlucci about the outcome of the meeting with Gorbachov, caused a very brief press release to be issued by the White House, during the evening of Oct. 23. It was purported to be an excerpt from a wide-ranging interview that Reagan was giving to representatives of the foreign press. The short White House release contained the following brief exchange:

**Question:** "Mr. President, the sticking point seems to be the SDI, and are you prepared to make an adjustment in your position in order to achieve an agreement on the strategic. . . ?"

**President Reagan:** "No. I have said from the beginning that this world, which has no defense against nuclear weapons—the only so-called defense is the MAD policy, and it truly is 'mad'—Mutual Assured Destruction. And I have spoken to several parliaments throughout the world and legislatures, and each one of them have said that I don't believe a nuclear war can be won and it must not be fought. And

recently, Foreign Minister Shevardnadze here in this room, repeated those words to me as being his own belief, that it can't be won and shouldn't be fought. So I cannot make that a bargaining chip. We have the prospect of a defensive system that could practically make nuclear missiles obsolete. And I have said over and over again, that if and when we have such a system, we wouldn't use that for our advantage offensively against any other nation."

Congressional reactions to Gorbachov's sudden hardening were swift. Sen. Dan Quail, speaking for the Republicans, demanded that "the President should not knuckle under to this last-minute demand." More surprisingly, Democratic Sen. Sam Nunn of the Armed Services Committee cautioned the President "not to get caught in the trap where we want the summit as a goal in itself."

The following day, Oct. 24, during his weekly radio broadcast, the President said, "We're in no hurry, and we certainly will not be pushed into sacrificing essential interests just to have a meeting."

As of this point, there is no prospect for a 1987 summit, there is a very rapidly diminishing prospect for signing any INF treaty, and the two superpowers appear to be heading toward a period of bitter "competition" in at least two areas of strategic concerns, the SDI and the Persian Gulf.

### **Why the shift?**

The question: What caused this sudden and dramatic shift after the warm, Munich-like embraces of Sept. 16-18, the "agreement-in-principle" on the issue of the Euromissiles?

Even back then, at the time of the Shultz-Shevardnadze euphoria, one could discern "clouds in the silver lining," so

## LaRouche's defeat all who resist Soviet

*Nicholas Benton of EIR's Washington bureau interviewed Brig. Gen. (Ret.) Paul Albert Scherer, the former chief of military intelligence for the West German Bundeswehr, on Oct. 22 in Washington, D.C.*

**EIR:** General Scherer, recently you were in Paris, where you spoke at the meeting held there by the international Commission to Investigate Human Rights Violations, and now you have come to the United States, where you participated in a meeting of the same Commission in Boston, concerning the upcoming trial of U.S. political figure Lyndon LaRouche. What is your particular interest in the trial of Mr. LaRouche?

**Scherer:** I was interested in coming to observe this trial, because after having appeared for many years before German courts and parliamentary committees in my capacity as an expert on questions of espionage, sabotage, infiltration, penetration, etc., this particular case seems to me to have very marked features going in that direction.

Judging from my observations over the past few years, LaRouche has, in my view, become a first-class target of Soviet psychological warfare, because he is one of the few politicians in the West—and certainly one of the very few in the United States—to show his true colors, without any regard for his own personal safety and security, to the effect that Soviet infiltration of the Western world, and the attempts and successes of Soviet disinformation, will lead to a complete softening and decadence within Western civilization.

**EIR:** Can you tell me what in your opinion motivates this trial against Mr. LaRouche?

**Scherer:** Since I am a guest in your country, I can only express myself carefully. As is the usual practice in psychological warfare and disinformation, certain intelligence and information must have been placed into the hands of federal agencies, causing them to view LaRouche within a criminal context, so that criminal proceedings had to be initiated against him.

**EIR:** What, in your view, is the significance of the role of

to speak. First of all, it was the period during which Mikhail Gorbachov had disappeared from public view. As a matter of fact, Gorbachov never once, even after he resurfaced after his mysterious absence, had anything positive to say about the Shultz-Shevardnadze "agreement-in-principle." In fact, after his disappearance, he ostentatiously ignored the "diplomatic progress" in the area of arms control, and went straight to the naval base of Murmansk to exploit "photo opportunities" on board nuclear submarines and to make tough public speeches about the need to strengthen Soviet defense commitments and the need for civilian austerity in the years to come.

Another significant early "cloud in the silver lining" was the fact that the day preceding the September Shultz-Shevardnadze "agreement-in-principle," the SDI Organization submitted its *Report to Congress*, mandated by law, recommending a shift from the "restrictive to the broad" interpretation of the ABM Treaty during "fiscal year 1988," which places the decision before April of 1988. The day following the Shultz-Shevardnadze "agreement-in-principle," the secretary of defense awarded no fewer than six SDI contracts, all involving projects based on the "broad interpretation" of the ABM Treaty, and most of them meeting March 1988 deadlines.

The Russian High Command, during Gorbachov's mysterious absence, had every reason to believe that the United States was preparing for a restructuring of its SDI program to fit the "broad interpretation," during the spring of 1988.

Such a U.S. shift during 1988 would imply a preliminary first phase of SDI and Tactical Defense Initiative (TDI) deployments in Europe beginning in 1991, approximately the time of anticipated Euromissile removal, in the event an INF Treaty were to be signed and ratified.

One theory, therefore, suggests that potential SDI developments in the U.S.A. were leaving the Soviet command no other choice than to embark on a hard-line course, of the kind displayed by Gorbachov vis-à-vis Shultz.

A second theory suggests that the Soviet command, in the aftermath of the stock market collapse, evaluated President Reagan's political position as so extremely vulnerable, that he could be forced into further concessions. The President, however, does not seem to be inclined to make concessions on the SDI.

For practical purposes, it makes no difference which of these theories is closer to the truth. The fact of the matter is that there is a dramatic industrial, economic, and financial crisis in the United States, and simultaneously, a rapidly escalating East-West confrontation now. As Admiral Crowe, the chairman of the Joint Chiefs lectured a Wall Street audience on Oct. 19, the national security of the United States cannot afford another 1929-33.

It may be that Moscow is calculating that President Reagan lacks the economic policies required to avert a 1929-33 kind of economic calamity.



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## would be a loss to offensive

Mr. LaRouche in shaping important policy questions for the Western Alliance?

**Scherer:** Fundamentally, his ideas in opposition to a withdrawal of American troops from Western Europe; his opposition to eliminating the SDI as a counterweapon against the already existing Soviet SDI; his factually well-informed, ongoing interpretations of global economic conditions, which are currently making our lives very difficult—these, for me, are statements coming from an outstanding politician.

**EIR:** What kind of signal do you think it would send to the world, if the operations to suppress the efforts of Mr. LaRouche succeed?

**Scherer:** We already have much too much pessimism in the West, and we tend to overestimate the Soviet Union's so-called peace and disarmament offers. LaRouche's political defeat or demise, effected through Soviet disinformation, would be a loss for those forces who still want to put up moral and spiritual resistance [to those offers], and who believe in a renaissance of moral and cultural values in our advanced civilization.

**EIR:** What are the main threats that you see today to the future of the Western Alliance?

**Scherer:** To answer that, I must make an historical digression. Following World War II, Western Europe has remained as a bridgehead for the interests of the West and of the United States. For, a maritime power such as the United States can not hold its own against the Soviet Union's striving for world revolution, once the opposite coast of the Atlantic ceases to belong to its realm of potential. Europe's intelligent and industrious skilled workforce would then be forced to be a Soviet satrapy and to work for the expansion of Soviet potential.

Secondly, the Russians view Europe's engineers and technicians as some of the world's most skilled workers in arms technology, on up through the high-technology fields. And to that extent, following a withdrawal of American troops from Germany and Great Britain, the Soviet Union, without firing a shot, would be able to occupy this bridgehead and

take it over; and thus, in my view, it is absolutely clear that it would necessarily belong to the dominant Soviet power.

I might add, that in this time of great psychological danger for all of us in open and free constitutional societies, the West is developing far too little energetic leadership capability in order to give a responsible and well thought-out response to these challenges. I am extraordinarily concerned in this regard.

If you take a map and consider the Atlantic Ocean as an extension of the Mediterranean, the situation of the ancient Roman Empire is a typical example of what confronts us today. Carthage, a land-based power, attempted to obliterate Rome in the course of three bloody Punic Wars. Hannibal had both the opportunity and the ability to move his troops, on elephants, over the snowy Pyrenees and the blockaded Alps and into Rome, where he virtually forced Rome's demise. The gauntlet thrown down by the Soviet Union (to return to modern times) is comparable to this Carthaginian challenge. If we today do not understand this, we are going to fail.

**EIR:** What kind of President do you think needs to succeed President Reagan in the White House?

**Scherer:** As a currently active representative of the NATO conception, and of the effort to stem Soviet imperialism, I would like to see in the White House a President and an administration, who sees this world-strategic question from the same standpoint as I and many other soldiers in Western Europe do.



*Brig. Gen. Paul Albert Scherer (ret.) speaks at a meeting of the international Commission to Investigate Human Rights Violations, in Boston, Massachusetts on Oct. 20, 1987.*

# Thanks to superpower deals, Qaddafi survives . . . for now

by Omar al Montasser

In the early days of October, another assassination attempt was made against lunatic Libyan strongman Muammar Qaddafi. Perpetrated by an army officer, the assassination was narrowly averted by some of Qaddafi's new bodyguards, a mixture of Palestinian guerrillas and Lebanese Druze mercenaries, backed up by elements of the Kurdish Workers's Party (PKK).

No one was surprised at the attempt. Only a few days earlier, Qaddafi had lambasted a group of Army officers over defeats in Chad. Adding insult to injury, he proclaimed, "Omar al Mukhtar has only produced daughters," referring to the Libyan hero of the anti-Italian resistance during World War II. Many Army officers were not ready to swallow such an insult, even were they *not* being blamed for Qaddafi's own mistakes.

Indicative of Qaddafi's precarious situation, the discovery of the assassination plot has not led to a purge of the Army. Instead of going public to denounce "world imperialism" and "Zionism," his usual tack, Qaddafi and his immediate associates have chosen to remain silent. Indeed, after so many military setbacks in Chad, Qaddafi is walking a tight rope.

Even the reconquest of the city of Aouzou in northern Chad did not bolster his prestige. The Libyan Army knows that the victory was no feat of military genius, but rested on the deployment of thousands of tons of bombs, including napalm and chemical weapons, against a Chadian enemy which had been deprived of air cover. Qaddafi bears the ultimate responsibility for the Chad defeats in the popular mind. And, he needs his Army for a new and more spectacular offensive in Chad, upon which his political—and physical—survival may depend.

According to reports coming from Gen. Abu Bakr Younis's headquarters, thousands of soldiers have deserted in recent months. Most have found refuge in their traditional tribal areas. Were an attempt made to arrest them, a full-fledged tribal war could result.

Thus, committed as he is to a new offensive, Qaddafi has had no choice but to send to the front in the southern desert the elite Army units heretofore deployed around key government facilities and for his own personal protection. It was to replace them that Qaddafi hired several thousand Lebanese volunteers, Druze, Kurds, and Palestinian followers of Georges Habash. His own personal protection is now guar-

anteed by some of the best-trained fighters of al Fatah, on loan from Yasser Arafat.

## Help from the State Department

Obviously, Qaddafi has survived this long only because he enjoys superpower support. He has Soviet support, of course, and oodles of East German "advisers" to go with it. But his ace in the hole is the support of the U.S. State Department, and its "regional matters" negotiations with the Kremlin.

In early summer, Qaddafi accepted a bargain offered by Washington as part of the State Department's "regional matters" sell-out of America's friends around the world. Typically, Washington promised that it would cease all activities aimed at either killing or overthrowing Qaddafi, in exchange for visible signs of "moderation" by this lunatic.

First discussed in early spring in Tunis during a meeting between U.S. Ambassador to the United Nations Vernon Walters and Revolutionary Council member Khawaldi al Hamidi, the bargain was finally struck in early July during Qaddafi's much-publicized visit to Algiers.

With the backing of both Moscow and Washington, the Algerians were encouraged to get closer to Libya, including acceptance of a Qaddafi proposal for a "union" between the two countries. While Qaddafi meant by "union" a full merger of the two countries, Algiers understood and accepted merely joint ventures in the social, economic, industrial, and political fields. However, Qaddafi eagerly accepted the bargain, which not only gave him breathing space, but could be perceived as a consolidation of his regime by his opponents.

## A reconciliation with exiles

On the bilateral issues with Algeria, Qaddafi had to promise to stop supporting the Islamic fundamentalist faction associated with pro-Nazi former Algerian President Ahmed Ben Bella. Algeria promised to mediate between Qaddafi and his opponents, and during this very visit to Algiers, the ruling Algerian FLN organized a meeting between Qaddafi and the Cairo-based Libyan opposition leader, Abdel Mohein al Houni. In the several hours of discussions, a protocol was established for broader negotiations.

Al Houni's own demands related to a new Libyan constitution, the creation of an opposition party, and the release of political prisoners. Qaddafi agreed to most demands, and

went on to explain at length to al Houni how "idiots" in the Libyan Army had dragged him into a war in Chad which he didn't want. Al Houni left Algiers satisfied and went on to spend several weeks in the United States.

Keeping to its side of the bargain, the U.S. State Department informed those Libyan oppositionists who didn't want to join in the game, that support for their organizations would be curtailed.

On Sept. 1, al Houni and National Assembly opposition leader Mahmoud Soleyman al Maghreby were present in Tripoli for ceremonies marking the anniversary of the 1969 "Libyan Revolution." They then left together for Geneva, establishing a "committee of coordination" among the Libyan exiles. By the end of the month, al Houni had convened his own "National Alliance" in Cairo to draft a "national charter of reconciliation" with Qaddafi. During November, a delegation of eight opposition leaders is supposed to visit Libya from the United States, Western Europe, and Egypt.

Whether this spectacular reconciliation with his exiled foes will actually take place is now in doubt, however. One of the demands that Qaddafi had to agree to, was a purge of his Revolutionary Committees. In his meeting with al Houni, Qaddafi had complained that the committees were "making decisions without consulting me." To replace the committees, Qaddafi is working on the creation of a political party like the Arab Socialist Union of Nasser's Egypt and the early days of his own regime.

### Sabotage from within

Many members of the Libyan People's Congress, created in 1976, have a lot to lose in this process. Committed to abort it, they are arguing that the reconciliation with the Libyan exiles is an American ploy, to stage a military coup from within. They have also been responsible for a wave of provocative statements on the upcoming "merger" between Tripoli and Algiers, which have produced doubts in Algeria as to the ultimate usefulness of the process.

Algiers never had any intention of allowing Qaddafi to meddle in Algeria's internal affairs. Now, aware of strong resistance from within Libya, they consider a "wait and see" attitude the best. Similarly, American media, which kept silent while the negotiations were ongoing during the summer, have begun expressing sudden worry on the front pages about the process. Apparently, Chad's President Hissène Habré still has a few friends in Washington who are not keen on the idea of Chad, or any other country for that matter, being sacrificed on the altar of a new superpower deal.

In any case, turmoil can be predicted for Tripoli in the immediate future. While the traditional Army is less than enthusiastic about the unwinnable war against Chad, Qaddafi has also succeeded in antagonizing his traditional base, the Revolutionary Committees he created as a counterweight to the Army. The next assassination attempt may come from that quarter—and could be more successful.

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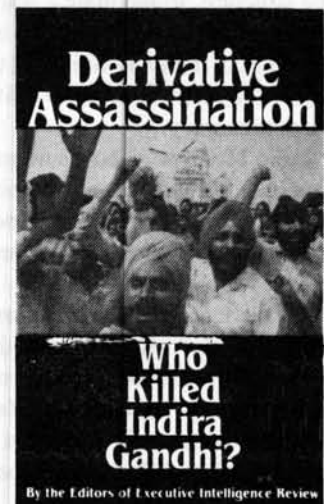
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# Results of surprise Soviet plenum are shrouded in secrecy

On Oct. 21, the very day that U. S. Secretary of State George Shultz arrived in Moscow for discussions which were supposed to finalize the "Munich II" arms-control treaty for disengaging the United States from Europe, the Central Committee of the Soviet Communist Party held a surprise meeting, which was extraordinary in several respects:

- There had been no advance announcement of the plenum or hint of any such meeting in the Soviet media, since the conclusion of the last plenum in June.
- The plenum was announced only the day before, by the *foreign ministry*—a quite unusual development, since the plenum was an affair of the Communist Party apparatus, not the government.
- The Soviet media devoted almost no coverage to the meeting, and did not report the content of the report delivered there by General Secretary Mikhail Gorbachov.
- The meeting confirmed the "resignation" of Politburo member Geidar Aliyev, one of the most powerful men in the Soviet Union.

These developments take place amid a fierce factional battle within the Soviet leadership, over how fast and how far Gorbachov's twin policies of *glasnost* (openness) and *perestroika* (reconstruction) should be allowed to go (see *EIR*, Oct. 9, 1987, "Gorbachov joins the ranks of the undead," by Lyndon H. LaRouche, Jr.). Gorbachov's policies are aimed at overhauling the Soviet economy and bureaucratic structure, to facilitate a war build-up of unprecedented proportions. But in so doing, he is attacking the institutionalized form of internal stability of the post-Stalin order, causing growing alarm from a "neo-Stalinist" faction within the Soviet bureaucracy.

Radio Moscow's short summary of the Oct. 21 Central Committee plenum openly admitted a raging fight: "The Plenum met at a critical point in *perestroika*, at a time where forces opposed to *perestroika* are continuing to resist the process of *perestroika*."

The factional issues will necessarily surface publicly during the Nov. 6-7 celebration of the 70th anniversary of the Bolshevik Revolution, when Gorbachov is scheduled to give a major speech. Rumors are rife that he will choose that occasion to denounce the errors of the Stalin period and "rehabilitate" such leaders of the anti-Stalin opposition as

Nikolai Bukharin and Leon Trotsky. Such a move has been publicly rejected by top Kremlin figures like Politburo member Yegor Ligachov, who have opposed Gorbachov's "focusing on the negative," and who want an anniversary celebration that dwells instead on the "positive achievements" of the Soviet Union.

The Soviet media greeted Gorbachov's report to the plenum with a deafening silence: Contrary to past practice, no Soviet media reprinted the text nor any quotes from his speech. Soviet radio reported tersely: "The Central Committee approved a report delivered to it by General Secretary Mikhail Gorbachov, on matters related to the 70th anniversary of the October Revolution, and to some current tasks."

The tense situation manifested at the plenum, has been evident in speeches by Gorbachov, following his late September reappearance. At a speech in Murmansk, he had urged Soviet citizens not to "panic," a word only used once before by the Soviet leadership, when the death of Stalin was announced on March 5, 1953. He admitted that *perestroika* had not yet "turned the corner." In Gorbachov's next major speech, in Leningrad in early October, he stressed the need to be on guard so that the "mechanism" of *perestroika*, in "all spheres . . . above all in the economic," does not "break down."

## Aliyev's ouster

Another issue which has been the subject of heated debate concerns policy toward the U.S.S.R.'s nationalities. It is here that the "resignation" of Geidar Aliyev becomes particularly significant. According to the Soviet press report, Aliyev, 64, "resigned from his functions . . . at his own request . . . due to the state of his health." Aliyev had disappeared from public view from May 11 until early September.

Is there more to it than ill health? It is premature to say for sure, but consider the background:

Aliyev was the only Muslim on the Politburo. His portfolio includes special operations—including terrorism—in the Mideast and Asia. Before coming to Moscow, he operated for 15 years out of Soviet Azerbaijan, first as its KGB chief and then as first secretary of the Communist Party there. He tore the party and state apparatus apart from top to bottom, replacing nearly 2,000 officials with KGB men, in order to carry out a pilot project that became known as "the Azerbaijan experiment." His special formula—the model for today's *glasnost*—was a sweeping anti-corruption purge and attention to the "spiritual needs" of the population.

But now, there's trouble in Azerbaijan: Rioting broke out this summer, and on Sept. 26 *Pravda* reported that the Politburo had reviewed "shortcomings" in the work of the Azerbaijan Institute of the National Economy, and had decided to "liquidate" the institute.

Aliyev's policies are also called into question by the U.S. military deployment in the Persian Gulf, which forces Moscow to choose between its traditional Arab alliances, and open backing for Khomeini's Iran.

# Referenda steer Italy toward shoals

by Leonardo Servadio

On Nov. 9, Italian voters will have to decide on two different referenda which, if passed, could increase the instability in Italy's political institutions. The first would abrogate the country's current nuclear energy policy; the second would overhaul the current system of justice administration. In the case of the nuclear referendum, abolishing the nuclear energy program could subject Italy to manipulation of its Middle East oil supplies. The justice referendum would make Italy's legal system much more dependent on whatever political forces are in power at any given time.

According to the Italian Constitution, voter referenda are only to abrogate laws, and do not establish any new law or regulation. The nuclear energy referendum would halt the construction of new nuclear plants, and end Italy's participation in foreign nuclear energy projects. With the justice administration referendum, citizens would vote "yes" to end immunity for judges who make mistakes in condemning someone unjustly; and to end the institution of the parliamentary commission of inquiry, which decides whether or not a parliamentarian accused of some criminal act can be tried in a court.

Should these referenda succeed, it is not clear what might replace the existing laws. What is clear, is that the referenda, particularly the one on nuclear energy, are designed to appeal to "public opinion." Fifteen years of anti-nuclear propaganda saturating the media, capped by the Chernobyl incident, have fed the people the idea that they can eliminate the danger of a nuclear meltdown, by canceling nuclear energy production in Italy.

Technically, were the existing nuclear energy plan to be abolished, a new plan could be drawn up for Italy to build hundreds of nuclear power stations, though maybe with different characteristics. For that reason, the Christian Democracy (DC), Italy's largest party, has decided to follow the tide of popular opinion, and come out for abrogating the current nuclear policy.

The reason appears to be the manipulation of the nominally pro-nuclear DC by the forces of Foreign Minister Giulio Andreotti, who dangled the possibility that changes could be made in nuclear policy after the referendum passes. Thus, Andreotti's people lined up all the forces within the DC to accept the anti-nuclear line.

Practically all the parties have indicated they will follow

suit. And the small Liberal and Republican parties, which support a vote in favor of nuclear energy, have no plans to develop Italy's industrial capacity.

In fact, the only serious opposition to the referendum has been the Schiller Institute, which has started a campaign against the referendum, including a poster calling on citizens to vote "no" on the abolition of nuclear energy, and to revive the tradition of Enrico Mattei, the man who, in 1956, built the first nuclear power plant operating on the European continent, and had plans to increasingly nuclearize energy production in Italy. After Mattei's mysterious death in 1962—often attributed to "Seven Sisters" oil multinationals' money—no new plans for power plants were drawn up in Italy.

And, except for the Schiller Institute and the collaborating movement of the Patriots for Italy, there is no political force which intends to educate the citizens on the importance of nuclear energy.

The intention of those who have imposed this referendum, is to totally destroy any possibility for Italy to continue to develop as an independent nation. Instead, Italy would continue to be subject to blackmail over the flow of Middle East oil—which is increasingly under Soviet control.

The parties that pushed for the anti-nuclear referendum—the Communist Party (PCI) and its fellow travelers, the Radical and the Proletarian Democracy parties—have also been the most outspoken adversaries of the naval deployment in the Persian Gulf to allow safe passage of ships. And keep in mind that the largest supplier of oil to Italy is Iran.

The referendum was originally pushed by the vice secretary of the Socialist Party (PSI), Claudio Martelli, who got his marching orders at a Socialist International meeting directed by Willy Brandt that took place in West Germany shortly after the Chernobyl accident. The Soviets then started to push, through their networks in the West, the idea that nuclear power plants should be abolished. The Greenies and Brandt were the first to get into action.

## Abuse of referendum

The absurdity of the situation can be seen in the fact that the institution of the referendum is designed to give the citizens a way to nullify laws passed by Parliament, that are not in their best interests. Thus it is not proper that the parties represented in Parliament should promote a referendum, because they should be debating the laws in the Parliament itself.

Thus, it would seem that those who organized the nuclear referendum want to avoid debating the issue in Parliament. The previous government of Socialist Bettino Craxi, created under the auspices of the U.S. networks associated with the Irangate scandal, was collapsed by the DC precisely to judo the referendum. Subsequently, the DC was compelled to accede to the referendum; if they did not, the PSI would have refused to join the new DC government, preventing the constitution of a parliamentary majority.

# Colombia terror traced to Moscow

by Valerie Rush

The offices of the Colombian Defense Ministry in Bogota were ripped by a powerful bomb Oct. 19, in what has been described as the most serious direct assault on the Colombian Armed Forces by Moscow's irregular warfare troops. President Virgilio Barco described the terrorist action as "a clear demonstration of the systematic attempt to destabilize Colombian democracy."

Although the bombing, which injured 10, destroyed more than a score of cars, and did considerable damage to the facade of the building, was claimed by an obscure group calling itself "Insurgencia Comunera," it is widely believed to have been the work of the newly formed Simón Bolívar Guerrilla Coordinating Group, linked to the mass-based Colombian Communist Party. The Communists, their electoral front, the Patriotic Union (UP), and the Colombian Revolutionary Armed Forces (FARC), the leading guerrilla force in the new terrorist umbrella group, have all publicly identified Defense Minister Rafael Samudio Molina as their number-one enemy inside the Barco government.

## Dialogue . . . or war?

Repeated demands for dialogue with the government from all three Moscow-directed forces were addressed by President Barco during the week of Oct. 13, when he invited the new leadership of the UP to talk with him at the national palace. The UP leaders promptly refused, releasing instead a public letter to Barco which demanded the "civilianization" of the nation's intelligence service, police force, and defense ministry, and an end to state-of-siege restrictions. New UP president Bernardo Osa Jaramillo also demanded unconditional dialogue with the Simón Bolívar guerrilla army, insisting that government refusal would mean civil war.

President Barco responded to the ultimatum with a nationwide television and radio message Oct. 18, saying "The government will preserve its policy of dialogue, which has as its goal the reincorporation of the guerrilla into civilian life," but insisted that subversives "on the left and right must first be reduced to impotence."

All of its calls for dialogue and reform notwithstanding, the true nature of the Communists' campaign is best gauged by an Oct. 18 interview with UP head Osa Jaramillo appear-

ing in the Medellín daily *El Mundo*: "We are going to mobilize the people. . . . We believe that this is the moment for organized protests. This is going to translate into strikes, demonstrations. Liberals and Conservatives, trade unionists and peasants must also mobilize." In fact, in the past two weeks, a half-dozen peasant marches under UP direction were organized in different parts of the country, ranging from Cauca in the southwest to Bolívar in the north central zone, to the coca-growing department of Meta in the southeast. In each case, the mobilized peasants demanded withdrawal of the military from their largely guerrilla-infested regions.

Labor is also intended to play a major role in the Communists' scheme. Colombian Communist Party head Gilberto Vieira said on Oct. 12 that the two most important developments in the country were the creation of the Simón Bolívar guerrilla umbrella group, and the creation of the Unified Workers Confederation (CUT). The CUT, originally created as a counter to both the mafia-infested "democratic" trade unions and the Communist-dominated ones, is under attack from within as the Communists attempt to use it in their war against the government.

An important effort to reorient the CUT along its original anti-drug, anti-International Monetary Fund principles was made by its founder and president, former Labor Minister Jorge Carrillo, champion of the democratic sector within the confederation. On Oct. 15, a lengthy ad was taken out by the CUT in the daily *El Espectador*, which declared Oct. 15 "a continental day of fight against payment of the foreign debt," and which pledged the participation of the nationalist trade union forces of the Americas "against the economic policies imposed by the usurious international banks and their representatives, such as the International Monetary Fund." The Communists were thus out-manuevered by Carrillo.

The Communist and UP "mobilizations of the masses" are, in the short-term, directed at capturing as many municipalities as possible when the first-ever mayoral elections in Colombia are held in March 1988. But in the longer term, the drive is to create precisely the kind of "independent republics" established by the Communist FARC during the 1960s, war zones such as Marquetalia and Cimitarra, where neither government nor military dared tread. In the 1960s, it took a U.S.-assisted war effort against the insurgency to recapture sovereign Colombian territory. Today, the terrorists—in alliance with the well-financed and heavily armed drug traffickers—pose a clear threat of civil war on the El Salvador model.

This problem was identified in a special seminar sponsored by *EIR* in Bogota, where the new Spanish-language version of the book *Modern Irregular Warfare*, by West German Brig. Gen. Friedrich August von der Heydte (ret.), was released. Von der Heydte emphasizes that "irregular warfare" (terrorism, guerrilla actions, kidnappings, etc.) are only a phase of regular declared warfare and, as such, cannot be fought with peacetime juridical instruments.

# Hans Holmér: first rate cover-up artist

by Ulf Sandmark

Hans Holmér, the deposed head of the Olof Palme murder investigation, has been appointed an “expert” for a United Nations project in Vienna, Austria, “to develop control systems in drug-producing countries.” Holmér, as an independent expert paid by the Swedish government, will work with the U.N. Division on Drugs, the U.N. General Secretary, the International Narcotic Control Board (INCB), and the U.N. Fund for Drug Abuse Control (UNFDAC). The Swedish government’s involvement in the various crop substitution programs in countries such as Thailand, will be his main focus.

The government of Malaysia and the signers of the Quito document of 1986 denouncing drug trafficking as a “crime against humanity,” have launched excellent anti-drug initiatives in the U.N. framework. Now they will have the most experienced cover-up artist in Sweden deployed against them. It is not widely known, but Holmér was responsible for Sweden’s catastrophic drug policies, before he used his leadership of the Palme murder investigation to run harassment campaigns against the political foes of the murdered Olof Palme, and especially the Soviet-inspired campaign to blame U.S. presidential candidate Lyndon H. LaRouche for the murder.

In 1981, Holmér’s book, *The Drug Problem—A Different Kind of Police Report*, was published by Tiden, the Swedish Social Democracy’s publishing house. This book was a response to the intense debate on drugs set off in Sweden by the book *Dope Inc.*, written by associates of LaRouche, which named the names of the top networks controlling the international drug trade.

In a chapter called “Instead of Prejudices,” Holmér’s book made the following revealing statement: “Nowhere is there evidence of any mystical executives hiding in the bush nor of any unknown mafia leaders”—denying the existence of any mafia control of the drug trade!

Holmér was appointed to lead the Government Commission on Drugs, created by the reinstated Palme government after the 1982 election. During the election campaign, the Social Democratic Party had been heavily attacked for its liberal drug policies. Holmér’s job was to defuse this volatile issue.

During the one-and-a-half years his commission was active, the government, making the same kinds of statements about Holmér’s “efficiency,” “informal reporting,” “orientation to results,” that became famous during his Inspector

Clouseau-like handling of the Palme case, succeeded in giving the impression that something was being done. The pressure of public opinion lessened, and the government was able to water down the proposals prepared by the previous non-socialist government, which had not yet become law. Holmér’s final report contained only trivial administrative reforms.

## End of drug enforcement

It was Holmér who buried the famous police task force against drugs, the so-called Huddinge Group (named after the suburb of Stockholm where it was headquartered), known in Europe from the TV documentary, “Mission Shoemaker Gang,” and called by the press, “The best drug investigators of Northern Europe.”

Since the Huddinge Group was created in 1971, with the exclusive task of conducting drug investigations in the Stockholm region (outside Stockholm City), it broke up the Greek Gang in 1978, the Turkish Gangs in 1979, Riganakos in 1980, and the Shoemaker Gang linked to the ASALA Armenian terrorists in 1981. Holmér, then head of the Stockholm City Police, offered the group better resources—in personnel and equipment—if they moved to his district. He promised that they would continue to work together (on TV he said, “You don’t change a winning team”).

But when the new, big drug division was created under Holmér in January 1983, for both Stockholm City and the Stockholm region, the Huddinge Group policemen were split up into three different departments; and none of them was appointed to any of the leading positions. Since then, the Stockholm drug investigations have been mired in bureaucracy and inefficiency.

Holmér became a national public figure in 1970, when he was named head of the Swedish Security Police, SÄPO. The old leadership of SÄPO had been forced to resign over the “IB Affair,” when a previously unknown intelligence operation, the Information Bureau, of military personnel and anti-communist trade unionists, involved in secret domestic investigations and registration, was exposed and closed down.

In a climate of leftist pressure from the press, and in tandem with the first Palme government, Holmér implemented the new law for the Swedish intelligence services, banning all registration of individuals based solely on their political opinion. (The law has since been revised to allow registration of members of terrorist groups.) Holmér personally went down to the telephone exchange, to check that phone tapping of the Maoist grouplet called the Swedish Communist Party had ceased.

Subsequently, under the guise of the Palme murder probe, Holmér violated all limitations of registration activity by the police. Without any legal pretext, the “extraordinary situation” of the murder has been cited to create a police register of 28,000 Swedish citizens, said to have been political opponents of Olof Palme.

## The spy who went back into the cold

*Justice Minister Wickbom is but one victim of the intelligence warfare now raging in Sweden.*

Months of intelligence warfare in Sweden have begun to take their toll of high-level government officials. The most prominent victim so far is Justice Minister Sten Wickbom, forced to resign on Oct. 19. Wickbom's demise was followed by the firing of three of his underlings at the Justice Department, among them the number-two man, Harald Fälth, and the resignation of Director General Ulf Larsson of the Swedish Prisons Board, which runs the nation's prisons.

Wickbom was already discredited through his backing of ex-Police Chief Hans Holmér, who had to resign in March over his conduct of the investigation into the murder of Prime Minister Olof Palme. But the immediate trigger of the present wave of downfalls of Social Democratic justice officials was a scandal erupting two weeks before, after the escape from prison of Russian spy Stig Bergling on Oct. 5.

Sentenced to life imprisonment in 1979 for Soviet espionage, Bergling escaped while on a leave of absence, under a number of peculiar circumstances, hardly attributable to chance:

*First*, Bergling was granted a two-day leave from prison, despite his conviction for espionage, severely damaging to the nation, and despite his refusal to cooperate in controlling the damage. Bergling was a Soviet mole inside the Security Police (SÄPO), and a liaison between SÄPO and military intelligence.

*Second*, not only was Bergling granted a leave, in itself outrageous, but he was on an "accompanied leave of absence," meaning that a prison

guard accompanies the prisoner away from and back to the prison, but leaves him unwatched during the night.

*Third*, Bergling was given leave despite his known desire to escape. In October 1985, a letter intercepted from Bergling revealed a plan to escape. Nonetheless, he was again granted a leave in January 1986. His former lawyer stated, "He is a very dangerous and experienced spy and has all the time aimed at getting out one day."

*Fourth*, Bergling's leave was granted after the application to convert his life imprisonment to a delimited jail term had been rejected. He had little to lose.

*Fifth*, despite serving an unlimited jail term, Bergling, as part of his "rehabilitation" by the ultra-liberal Swedish Prisons Board, had already been given a new identity, including a new passport, issued for the name of "Eugen Sandberg," and he had changed his looks during the eight years in jail.

No wonder a police officer in charge of searching for Bergling, Division Head Esbjörn Esbjörnson at the National Criminal Police, told the press on Oct. 7 that "this is a case with gross political overtones." The incident is but the latest in the intelligence war among SÄPO, military intelligence, and the Social Democratic intelligence networks—nicknamed SAPO—run by Foreign Minister Sten Andersson and his deputy Pierre Schori, both eager to trade a favor to Moscow against a kick in the teeth.

Moscow's preference in the factional battle was signaled in the Sept. 27 *Pravda*, which painted a picture of

incompetence and absurdity at the SÄPO, typified by their keeping Palme on a "black list" of people who might be unreliable during a crisis. *Pravda* cites the now-deposed Wickbom saying it's time to investigate the SÄPO.

When Bergling's prison guard, as per an "agreement" with Bergling, arrived at 12:45 p.m. on Oct. 6 to pick him up at his wife's house, both Bergling and wife were gone, to everybody's alleged surprise. It then took until 10:45 a.m. before a nationwide search warrant was issued, perhaps 24 hours after the escape.

At first, the Social Democratic officials of the Prisons Board, all champions of "humanization of prison care," blamed the SÄPO for not watching Bergling. But soon it was made known that Bergling's frequent and lax leaves were imposed by the Prisons Board over SÄPO resistance. As recently as May 1987, when a four-man SÄPO team had watched Bergling visit a restaurant, SÄPO was attacked by the Prisons Board for "spoiling Bergling's fun" during his leave, by deploying too strong surveillance!

Newly appointed SÄPO chief Sune Sandström said that the Prisons Board knew the SÄPO wasn't going to watch Bergling during the night, and that the board was responsible for watching him. The board, he added, would have granted Bergling leave even without any SÄPO deployment at all. "Given the humanization they're pushing, this is how far we've come."

Among the military, outrage was visible over Bergling's escape. "It is extremely remarkable that a person with his criminal record is granted an unwatched leave, giving him the chance to escape," said Defense Staff press spokesman Hans Gustaf Wessberg. "It wasn't even known to us that he had leaves."



## North German arms mafia exposed

*The shipyards of Schleswig-Holstein produce for Khomeini's Navy. Is there a link to the governor's recent death?*

**T**he mysterious death of Uwe Barschel, the governor of the German state of Schleswig-Holstein, in Geneva Oct. 11—an affair related to bitter faction fights inside the “Irangate” cabal—has sparked new investigations into Germany's role in secret arms deals with Khomeini's Iran. The port cities of northern Germany, on the North Sea and the Baltic, are drawing special attention.

The Oct. 22 issue of the French mass weekly *Paris-Match* revealed that “a shipyard in a small city close to Kiel” built speedboats for the Iranian Navy. Bypassing West German arms export laws, these boats were secretly delivered to Iran via Sweden, the magazine reported.

In fact, not just one shipyard, but at least four, in the state of Schleswig-Holstein are said to have covertly built small vessels for Iran's Navy. These are the big HDW shipyard (in Kiel), the Büsumer Werft (Büsum), Kroeger Werft (Rendsburg), and Schlichting (Travemünde). As for submarines, an HDW contract for six of the 209 type, dates back to talks in 1978 with pre-Khomeini Iran, and the IKL naval engineering firm in Lübeck was also involved.

These contracts were carried out in spite of the official Bonn “weapons embargo” against Iran. The way it was done, is that a special, civilian-looking model of a military vessel is built. This model may resemble a yacht and could be delivered, for example, to a port in Sweden or the Netherlands, to be modified into a speedboat with

modern combat equipment. In other cases, blueprints of vessels are produced by engineers at German shipyards and transferred to Iran, via Spain, Portugal, or Israel, and the actual construction job is done entirely outside of Germany.

All of this avoids direct conflict with the German laws which ban weapons exports into war zones like the Persian Gulf.

These secret deals do not proceed without political promotion from the Bonn government, or, to be more precise, a section of the government grouped around the ministries of foreign affairs, finance, and economics. This “inside” group is directly represented on the executive boards of the bigger German shipyards, like the above-mentioned HDW in Kiel, and controls Customs along the German land and maritime borders.

Customs officers investigating illegal arms deals know that a few years ago, Iranian naval officers were systematically touring shipyards in Germany's north to make contact with experts on small attack vessel technology. The problem for Customs is, however, also a manpower problem, because their “front line” with the arms dealer cartel is a long one.

Besides Hamburg, Germany's largest coastal port, and the ports in Schleswig-Holstein, also Bremen, Bremerhaven, and the smaller ports of Nordenham and Stade play a role in secret deals with Iran. Foreign Minister Hans-Dietrich Genscher's political home base, the city-state of Bre-

men, surfaces very prominently in the context of these Iranian arms affairs.

Thus, on Oct. 19, Italian Customs seized a freighter from Qatar, the *Fatulkair*, loaded with NATO guns from the German weapons producer Heckler and Koch. The Customs guards at the Italian port of Savona had been tipped off that the ship, coming from Hamburg and Bremen, was heading for Iran. Special Italian investigators are in Hamburg and Bremen now, to collect more evidence, but find it hard to make any progress. This is a bitter experience they share with German Customs officers, who have been looking into these arms-dealing affairs, which very often involve Swedish and Dutch operatives as well.

Investigations have so far hardly proceeded beyond the point that special permits are required from the authorities in Bonn. Foreign Minister Genscher is not cooperative on these permits. This means that the region along the Weser River, which runs from Bremen to Bremerhaven and the small port of Nordenham close to the North Sea, is like a huge “free-trade zone” for arms dealers, off-limits to official investigators.

As far as the ports in the state of Schleswig-Holstein are concerned, a political network loyal only to former governor Gerhard Stoltenberg, the current Bonn finance minister, stopped unwelcome investigations with methods similar to those used in the Bremen region. After all, most of the secret deals with Iran were signed during the governorship of Stoltenberg—whom Uwe Barschel replaced in October 1982. Many believe that Stoltenberg's political machine in that state maintained the delicate contact with Iran without ever informing the new governor, Barschel. Inside this network, one may well find a key to the case of the mysterious death of Barschel.

## Locust plague hits Brazil

*An ecological holocaust of biblical proportions—assisted by the International Monetary Fund—is threatening the Americas.*

**T**he millennial plague of locusts, infallible symptom of ecological holocaust throughout world history, is out of control in Brazil. This plague is the direct result of economic looting imposed by the World Bank and the International Monetary Fund on Brazilian agriculture.

The IMF-mandated policy of exporting food, and the crazy program of using 10 million acres of the country's most fertile and mechanized land for producing sugar cane for conversion into fuel alcohol, has forced Brazil's food producers to migrate randomly into other zones where there is a serious lack of adequate infrastructure.

A Ministry of Agriculture specialist told the magazine *Istoé* that the locusts "prefer the open fields. . . . Therefore, the destruction of the forests has created a perfect habitat for the locusts, which now have abundant space and food to multiply in."

The affected areas are located in the states of Mato Grosso, Mato Grosso do Sul, and Rondonia. Locusts are beginning to appear as well in the state of Goiás, which now has 17 afflicted municipalities. In Mato Grosso, the most seriously infested state, the plague is covering an area of 72 million acres, affecting primarily sugar cane and rice crops.

"To tell the truth, in this area, the advance of the insects is irreversible—that is, if no climatological changes occur. In short, we are facing a plague," was the conclusion reached by two specialists on locusts, from France's International Center for Co-

operation in Agronomic Research for Development.

The French agricultural research center, together with Brazilian specialists, has just concluded an inspection tour of the area in Brazil where the locusts have already devoured tons of grain.

The current locust plague began in Mato Grosso in 1984. At that time, the infected area was 14.4 million acres which, if compared to the present 72 million acres, leaves no doubt that the situation is "in crisis," as the specialists are now describing it.

Significantly, the date on which the problem began coincides with the time that the first major burnings of forest were ordered "to expand the agricultural frontier," a euphemism that the World Bank uses to force nations to restrict investments in agricultural infrastructure, and opt for the "cheaper" path of slash-and-burn for their forests.

Efforts to eradicate the insects (or rather, palliatives applied in the name of eradication by dusting them with insecticides while in flight), have left the Mato Grosso totally vulnerable to the next infestation, when the locusts' eggs hatch. It is reckoned that by November of this year, billions of locust eggs currently buried in the state's 2.4 million acres of rice and 108,000 acres of sugar cane, will hatch.

This locust horde is of a different species from the 23 that have existed heretofore in Brazil.

To confront this new species of infestation will require investment in biological research, in addition to new

eradication efforts. Thus far, it has been determined that the new variety of locust measures approximately 1.6 inches in its adult form, and forms vast elongated clouds. One such cloud observed in Mato Grosso measured 1.6 miles long.

Such a cloud of insects is estimated to weigh 100 tons, and consumes its weight in grain each day. Further, it travels at the rate of 94 miles a day. Each female produces an average of 100 eggs between October and November, which hatch in November-December.

Despite the dimensions of the threat, the Locust Eradication Program created last year by the Brazilian Agriculture Ministry does not have sufficient resources to carry out the kind of advanced technology program required. Use of satellites for detection of infested areas, and eradication efforts while the locusts are still in their first stages, must accompany eradication of the ravaging locust clouds in the air.

Thus far, the program has allocated \$1 million to eliminate the plague, which is considered a drop in the bucket by experts in comparison, say, to the amount the creditor banks are demanding Brazil hand over as a "symbolic payment" of its overdue back interest.

As far as help from international agencies is concerned, that too has been virtually nil. The United Nations Food and Agricultural Organization (FAO) has limited itself to sending technical experts to Brazil, to conduct bureaucratic inspection tours, continuing the same genocidal behavior it carried out in Africa last year. In 1986, a vast locust plague plunged Africa into catastrophe when, for the first time in this century, four different varieties of locusts attacked tons of food simultaneously.

## CAP wins in Venezuela

*The defeat of the President's favorite means the foreign debt issue will play a role in the 1988 presidential elections.*

Following an intense and sometimes dirty battle, which brought his party to the brink of a split, former Venezuelan President Carlos Andrés Pérez won the nomination as the presidential candidate of the ruling Acción Democrática (AD) party for 1988. In internal party elections held Oct. 11, CAP (as he is known to the press) took the nomination with 65% of the votes, defeating his adversary, former interior minister Octavio Lepage, despite the latter's backing by the political machine of current President Jaime Lusinchi.

CAP's victory has been interpreted as a repudiation of Lusinchi's economic policies. The President has insisted on paying the country's foreign debt at the cost of recession, austerity, unemployment, loss of international reserves, and devaluation of the national currency.

The internal AD battle resembled on a smaller scale what happened in Argentina to President Raúl Alfonsín, whose Radical Party suffered a devastating defeat in gubernatorial elections on Sept. 6—the population's response to the International Monetary Fund's austerity policies imposed by that government.

Just before the internal AD elections on Sept. 22, the labor section of the party, which backed CAP's candidacy, held its own plenum, where it analyzed labor's strength within the party, and during the electoral period, as compared to the influence it has wielded in terms of the economic policy of AD governments, past and present. The AD labor leaders, Antonio Ríos and Juan José Delpino, were a decisive factor in the electoral victory

of Lusinchi in 1983, and backed his government during the early years through what was dubbed a "social pact."

However, during the labor plenum, Venezuelan Workers Federation (CTV) President Delpino declared: "Since 1959, there has been an unfortunate custom of delivering over the building of the nation to the oligarchy." He added that Finance Minister Manuel Azpúrua served as the errand boy of the oligarchy's economic groups.

The "new social strategy" approved by the AD labor plenum establishes that the trade union sector of the party should participate fully in elaboration of government economic policy, including the possible firing of economic and finance ministers. The labor leaders also demanded that the foreign debt be treated as a matter of national sovereignty, and urged imposition of exchange controls, programs of "reproductive investment," and construction of urgently needed economic infrastructure.

However, the labor plenum made no specific proposals as to how to address the debt problem, made no mention of the strategy adopted by Peruvian President Alan García, and determined no specific actions to back up its resolutions. Upon closing the labor plenum, CAP said, "In my next government, the workers will not be stone guests, but will have both voice and vote."

Pérez is the only candidate who has openly identified the problem of the foreign debt, although in vague terms. One week before his nomination as candidate, CAP met in New

York with a group of bankers, to whom he declared, according to the press, that a new approach to the debt problem was required, "without the economic totalitarianism of the International Monetary Fund." Pérez reportedly also told the bankers that "it is impossible for Venezuela to invest 50% of the value of its exports in debt service."

Once nominated, Pérez said that the debt problem would be a fundamental issue of his campaign. "We must have a Latin American consensus to tell the creditor nations: This is the framework within which we are going to negotiate the debt. . . . Now, during the electoral campaign, I will send my personal envoys to all my friends across the continent, in government and in the opposition, to begin discussing these possibilities. . . . I cannot solve the debt problem if a Latin American agreement is not reached."

However, CAP also said that one had to negotiate within the existing international financial system, "since we are a part of it." He has also not given his backing to the "10% solution" adopted by Peru's head of state—the limitation of debt repayment to 10% of foreign earnings—nor has he addressed the need to create an Ibero-American common market, to protect the countries of the region from economic warfare by the international banks.

All of this has led many to suspect that the "framework" of which he speaks is that of the Socialist International, of which he is currently vice president. If that be the case, the problem will not be resolved. On the contrary, many leaders of the Socialist International, such as Helmut Schmidt and Willy Brandt, not only oppose debt moratoria, but back the policies of the International Monetary Fund and World Bank.

# International Intelligence

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## ***Iran plots 'Islamic' takeover of Iraq***

The creation of an "Islamic Republic of Iraq" was the main subject of discussion between Iran's Prime Minister Mir Houssein Mousavi and the Syrian leadership in meetings in mid-October, according to the *Foreign Report* of London.

Iran's Supreme Defense Council is planning a massive ground offensive against Iraq. Led by Revolutionary Guards (Pasdaran) Minister Rafiq Dost, one faction is advocating the immediate creation of a Khomeini-style fundamentalist "republic" as soon as Iran succeeds in breaking Iraq's defenses and reaches the outskirts of Basrah. Parliamentary Speaker Ali Akbar Rafsanjani, on the other hand, has been advising that Libya should be consulted first.

Under pressure from Saudi Arabia, the Syrians have hitherto made their support for Iran conditional on the demand that none of Iraq's territory (hence, "Arab" territory) should be occupied by the Iranians. But now, preparing for such a step, the Iranians have beefed up their "Badr 9 Unit," which includes ten of thousands of Iraqis opposed to Iraqi President Saddam Hussein. The Badr 9 Unit has recently been deployed, together with pro-Iranian Kurds, in the northern front of the war.

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## ***Pope backs Peru's bid for economic justice***

Pope John Paul II, in a greeting to the new Peruvian ambassador to the Vatican on Oct. 19, called for the creation of a "new international financial order," and hailed Peru's efforts to overcome its economic crisis in an international context.

Peru has taken the lead among developing countries in opposing the austerity conditionalities of the International Monetary Fund, and President Alan García has limited debt payments to 10% of export earnings, and nationalized the banking system in order

to stop drug-money laundering and capital flight. García is facing a furious counterattack by the bankers, drug traffickers, and the Shining Path terrorists, all committed to bringing Peru to its knees.

The Pope told Ambassador Hubert Wieland Alzamora that to realize the new financial order, all nations must "commit themselves to appropriate reforms, which are important to overcome the problems of marginalization, violence and underdevelopment."

"You have a very valuable patrimony," he said, "received with great sacrifice, which is worth defending. For that, one must count on the honest and loyal participation of those who are part of the great Peruvian family, since political life, in its maximum expression, is an army of rights and obligations to which citizens are called up, in an inescapable and responsible way, to work for the common good."

Attacking the terrorists—and their supporters from the ranks of liberation theology—he said, "It must not be said that violence is a moral act, because wherever it comes from, it attacks human dignity. It must be considered morally bad, and so, rejected."

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## ***Soviets deploy new mobile ICBM***

The Soviet Union has begun deploying the SS-24 rail-mobile ICBM, the West German daily *Die Welt* reported Oct. 19, in its lead article. The deployment has been confirmed in the Moscow Military District, from satellite photographs.

The SS-24 is the most powerful totally mobile missile in existence, with its minimum of 10 independent warheads. It is also variable in range—between 3,000 km and 9,000 km—thus making it a formidable medium-range successor to the SS-20, which the Kremlin has offered to withdraw from Europe as part of a "Euromissile" (INF) arms control deal.

*Die Welt* comments that the deployment makes a mockery of the INF treaty, which

will leave Russia with far more medium-range warheads than now, and the United States with zero. The paper describes the SS-24 deployment as providing an added objective impetus to speeding up the American Strategic Defense Initiative program.

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## ***Noriega seeks military role in peace talks***

Gen. Manuel Noriega, chief of the Panamanian Defense Forces, in a discussion with foreign journalists at an army training camp on Oct. 16, demanded that Central America's military leaders be included in any peace negotiations with the guerrillas. If the negotiations fall apart, he said, it is the military which is going to be doing the fighting.

He stated his support for the Arias peace plan for Central America, stating that Panama backed Costa Rican President Oscar Arias, when "nobody else believed in this plan."

General Noriega also criticized Panama's liberal economic planners for creating a "dependent model of a service economy" in recent years. This has made Panama vulnerable to the economic warfare being thrown at the country by the United States, he said.

Noriega said that Panama must develop production, to reduce its dependence on the outside. The one thing that U.S. economic warfare is accomplishing, he added, "is feeding Latin American resentment against the United States."

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## ***Trouble for the Queen: Fiji breaks with Crown***

Queen Elizabeth's policy toward the British Commonwealth ran aground on Oct. 16, when Fiji, an island nation in the Pacific, announced its formal break with the British Crown. The Queen accepted the resignation of her Governor General Sir Penaia Ganilau. Now, some are blaming Elizabeth for stepping out of line.

## Briefly

● **CARDINAL RATZINGER** denounced the radical-environmentalist Greens, in an interview with the Catholic weekly *Il Sabato*, reported Oct. 22 in the Italian press. The Greens are "a combination of an undefined romanticism, which takes elements from the Marxist current and is also linked to features of liberalism," he said. They base themselves on a conception of Nature which is "anti-rational," and represent a "new animalism, and the wish of man to be a pure animal."

● **AT LEAST THREE KGB** centers in the U.S.S.R. train agents to infiltrate freemasonic circles in the West, sources report. These are in Feodosia (Crimea), Lvov (Ukraine), and Lithuania. Josef Stalin had the centers set up as early as 1936. English and Swiss freemasonic groups are said to contain the highest number of KGB agent infiltrators.

● **FRANZ-JOSEF STRAUSS**, the leader of West Germany's Christian Social Union party, criticized the U.S. role in overthrowing the Shah of Iran in 1979 and installing Ayatollah Khomeini as "just another great disaster brought into this world under the banner of so-called democratization." "Now," he said, "we have one of the worst dictatorships the world has ever seen in recent times in power in Iran."

● **THE WEST GERMAN** military intelligence service (MAD) is investigating illegal deliveries of tanks from Kiel to the Middle East, the Oct. 18 *Wien Kurier* of Austria reports.

● **THE WORLD COUNCIL** of Churches is planning a conference in New Delhi, India Nov. 22-28, to discuss "religious identity in a pluralistic society." Attendees will include Muslims, Hindus, Sikhs, Buddhists, Jains, Jews, and Christians. The conference will "unofficially" promote the setting up of councils on religion in each community in India, to attempt to deal with religious problems.

Fiji came under British domination first in 1874, when the islands' cannibal chiefs converted to Methodism and made Queen Victoria their "chief of chiefs." On Sept. 25 of this year, Lt. Col. Sitiveni Rabuka staged a military coup and declared the creation of a republic.

The crisis dominated the just-concluded summit of Commonwealth leaders meeting in Vancouver, British Columbia. It is unclear whether Fiji will remain in the Commonwealth.

The Queen drew fire when she warned Fijians that they would be committing treason to the Crown if they supported Colonel Rabuka. The British Foreign Office promptly distanced itself from this position, and the Queen's involvement in the crisis has drawn criticism from the British press. Columnist George Gale warned in the *Daily Mail* on Oct. 16 that the Queen "should watch her step." "She has more than once thrown her weight around in Commonwealth matters. She has sometimes allowed it to appear that she is taking sides against her British Prime Minister. . . . It would be a great misfortune if, by insisting on a role within the Commonwealth which is more than merely honorific, she were to put in jeopardy her role as Queen of the United Kingdom."

### *New leader could stabilize Tunisia*

After a long period of uncertainty, the political situation in Tunisia is now moving toward greater stability, with the naming of Gen. Zin el Abedin Ben Ali to the post of prime minister and secretary general of the ruling party. He will keep his post as interior minister, which will allow him broad powers to deal with domestic problems.

Informed sources report that General Ben Ali is widely respected, and will seek to conduct a dialogue with all democratic components of Tunisian political life. At the same time, he will seek to neutralize the fundamentalist networks, and the Islamic Tendency Movement (MTI) in particular.

Some relief is discernable in both Paris

and Washington, the two principal allies of Tunisia. Both have been concerned about: 1) Tunisia's rapprochement with Libya; 2) popular discontent over the economic crisis, which the MTI has exploited; and 3) uncertainty concerning the succession to the elderly President Habib Bourguiba.

*EIR's* sources report that the new government will go after the MTI, by exposing its financial and logistical support from the Iranian secret services.

### *Hammer sees progress toward Afghanistan deal*

Armand Hammer, the chairman of Occidental Petroleum and friend of the Bolshevik Revolution for 70 years, reported on the results of his recent trip to Afghanistan, in an interview published in the *Jerusalem Post* Oct. 18.

A deal to get the Soviets out of Afghanistan, he said, would be most successful in the context of a successful U.S.-Soviet summit. This would also abet Jewish emigration from the U.S.S.R. and a resumption of Soviet diplomatic ties with Israel. "Everything will follow the summit. . . . We have an opportunity with Gorbachov. . . . I hope Mr. Shamir will be invited one day to go to Moscow and meet Mr. Gorbachov and then I think there will be recognition of Israel, full recognition. And I think we are entering a new era of goodwill for Israel, the U.S., and Middle East peace, all of which will stem from a successful summit."

Hammer reported that he arrived in Kabul on Oct. 12, and met with Afghan leader Dr. Hajib Ahmadzai, who was receptive to Hammer's Kremlin-endorsed plan for the former King of Afghanistan to play an "active role" in Afghanistan's future, and for the King's son-in-law to be prime minister.

The Soviets need help in leaving Afghanistan, according to Hammer. There would be a "bloodbath" against their troops if they left without a framework for peace, "because they've killed so many Afghans that people will get revenge. . . . There would be a terrific civil war."

## Reagan press conference flops; paralysis reigns

by Lyndon H. LaRouche, Jr.

“The new Herbert Hoover” is the judgment Oct. 23 on President Ronald Reagan’s televised press conference on the evening of Oct. 22. Four days after the shock of Black Monday, President Reagan, like the leaders of the Congress, is stunned, shaken, but still clinging desperately and blindly to the battered remains of the same discredited, ritual ideological rhetoric we have heard from that source for six and a half years.

The press conference confirmed the fears of informed people around the world; both the administration and the leadership of the Congress have fled from reality, into an Alice in Wonderland of ideological fantasies.

Over the first half of October, more than \$2 trillion of the Western world’s financial paper was erased from existence, with an additional \$6 trillion or more due to be wiped out in a similar way during the weeks and months just ahead. Already approximately \$100 billion of this fiscal year’s federal tax-revenues were wiped out by the close of Black Monday’s trading, with perhaps an additional \$300 billion to be washed away by developments of the next few months. The vast real-estate bubble is tottering on the brink of a collapse which threatens to wash away the U.S. banking system.

The world was waiting for the President to announce something which showed that the U.S. government had recognized the reality of the situation, and was announcing its commitment to take charge in some way which would prevent the deepening financial crisis from plunging the world economy into chaos.

If the President had done something such as declare a national economic emergency, or, at least, announce the resignation of Treasury Secretary James Baker III, most of the world would have breathed a sigh of relief, whether they liked the President’s emergency measures or not. “At least, he is doing something.”

Inevitably, Mr. Reagan is being made the scapegoat for the crash by some influential European and congressional leaders whose blunders contributed much more to the crisis than anything actually done by the President. It may be consoling to these critics to hear themselves say, “See, we were right about the need for deeper budget-cuts and tax-increases.” What is being proposed along these lines is either dangerously wrong, or is so irrelevant to the monstrous problems at hand as to be a nearly suicidal diversion of energies from the real issues which must be addressed.

Black Monday’s crash, and the much, much bigger crash still to come, have been caused by the entire Western world’s complicity in pushing a “post-industrial” utopia for 20 years, combined with 16 years of building up the most gigantic financial bubble in history, on the basis of the ill-conceived “floating exchange-rate system.” It is the combination of those two policies which has created this crisis, and this crisis can not be controlled until those two policies are effectively reversed.

The facts must be faced. The financial bubble has been popped, and there is no way to prevent its collapsing all the way down except by resorting to the printing presses in a way which leads to something like the Weimar hyperinflation of 1923. At the same time, the present world monetary system, as defined by the present policies of the International Monetary Fund, is as dead as the Dodo; there is no way it can be rescued. All efforts to patch up the system, with debt-for-equity schemes, jiggery-pokery with exchange-rates of national currencies, budget-balancing trained-seal acts, cheese-paring contests in tax reforms, or selective rigging of some financial markets, will only make matters very much worse.

The only things which can be saved from this mess are the value of the U.S. dollar, the value of U.S. government



Stuart Lewis

*If President Reagan had declared an economic emergency, or at least fired Treasury Secretary James Baker III, most of the world would have breathed a sign of relief, that at least he was doing something.*

bonds, the continued regular business functioning of distressed local banks, and the par value of principal amounts of savings by bank-depositors. The collapse in private financial markets, and the collapse of the most highly-leveraged parts of the real-estate markets, can not be prevented; government can do no more than the ensure that these inevitable drops in prices do not radiate chaos into the economy as a whole.

The only weapons available to the federal government for preventing chaos are heavy use of the regulatory powers of the government, combined with the issuance of several trillions of dollars of new Treasury currency-notes for lending for capital improvements in expansion of production and repairs to basic economic infrastructure. Anything contrary approach, or simply trying to sit out the crisis, means assured and incalculable disaster. Talking about any other response to the crisis, is much worse than wasted hot air.

The critics of the President in the U.S. Congress's leadership and among leading Europeans, are even more to blame for this crisis than Mr. Reagan. They are the ones who, back during the 1967-1975 period, created the policies causing this crisis. West Germany's former Chancellor Helmut Schmidt and France's former President Valéry Giscard d'Estaing did far more to cause this crisis, back in 1975, than Ronald Reagan has done. It was the British under Prime Minister Harold Wilson, who began the mess long before Presidents Johnson and Nixon made their major blunders.

I think I am one of the few who has the right to criticize Mr. Reagan on this issue. Back during the spring and summer of 1982, I warned the Reagan administration of a third-quarter debt-bomb explosion, and presented them the actions needed to deal with that crisis in great detail. I admitted then, that they could postpone the day of reckoning some years beyond 1982, by the methods which they did, in fact, adopt. I warned that by postponing the day of reckoning in that way, there would merely exchange an immediate major crisis for

the biggest crash in history a few years down the road. Exactly that has happened.

Black Monday has happened; that was just a minor shock, compared to what is now coming up fast. Unless the President comes to his senses about this matter soon, he might wish that the history books would remember his presidency as charitably as they do President Herbert Hoover.

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## Documentation

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*At his televised Oct. 22 press conference, President Reagan was asked by a reporter, "How serious is the threat of a recession or something worse?" This was his reply.*

Well, first of all, the indices, the index that is used for judging whether we're sound economically and so forth, has been up and increasing 10 of the last 11 months. And with the great employment that we have, with the fact that we have reduced that double-digit inflation and the prosperity that is ours out there, the one thing out of such a happening as the stock market that could possibly bring about a recession would be if enough people without understanding the situation, panicked and decided to put off buying things that normally they would be buying, postponing purchases and so forth.

That could bring on something of a recession. It's happened before. But I don't think that there's any real reason for that. The—I think that this was a long overdue correction and what factors led to its kind of getting into the panic stage I don't know, but we'll be watching it very closely. I approve very much of what the exchange is going to do with regard to the next three days. That the market is—trading is going on, in quitting two hours early to give them a chance to catch up with their paperwork, which is the reason for that. But, this is, I think, purely a stock market thing and there are no indicators out there of recession or hard times at all.

## 'They tell me it's just a correction'

On the Saturday before the Great Crash of Oct. 19 knocked 508 points off the stock market, President Reagan stepped out of his helicopter on the south lawn of the White House, returning from his first post-operative visit with Nancy at the Bethesda Naval Hospital.

The market had plunged over 100 points the day before—a temporary single-day record. While the rest of the White House press corps asked the President how Nancy's operation went, this reporter shouted over the loud whir of the helicopter, "What do you think of the stock market, Mr. President?"

Reagan cupped his ear to hear the question, asking me to repeat it. When he finally heard it, his answer was so brief, it virtually assured that the market would cave in to all-out panic on Monday. Making his first on-the-record comment on the subject, he said only, "Well, they tell me it's just a correction."

Over the next four days, the scene was repeated at least twice a day: Every time Reagan left or returned from visiting Nancy at Bethesda, he would emerge onto the south lawn to shout over the din of the helicopter his latest comment on the market.

After that first time, however, his remarks weren't so glib. As the bottom fell out Monday, he repeated a litany of "strong economic indicators" he had been handed to rehearse that morning.

By Tuesday, a lectern had been set up by the walkway between the portable helipad and the White House so he could read lengthier statements.

Still, the casual image of making an offhand remark while on his way to

or from seeing Nancy was in keeping with how Reagan's advisers told him he should handle the crisis.

The President's role was supposed to be to convince the world that Santa Claus really exists, even though his beard just fell off.

But Reagan's performance was far eclipsed by that of James Miller, head of the White House's Office of Management and Budget, who strutted into the White House press briefing room the morning after Bloody Monday and announced that the Gramm-Rudman automatic sequester had begun that day to slash the Fiscal Year 1988 budget, and that the federal budget deficit was being conquered.

Miller's nervously boisterous behavior proved that the administration simply wasn't prepared to cope with reality.

When this reporter asked Miller how he expected to meet the FY88 deficit reduction figures now that a trillion dollars had been wiped out in one day, blowing the nation's revenue base to smithereens, Miller categorically refused to answer the question.

Much to the amazement of the press corps, Miller said he simply wouldn't comment on the stock market—as if it were totally unrelated to the deficit reduction issue he was there to talk about.

The "keep the White House out of it" tactic, pretending that the market place (with just a tad of help from the Federal Reserve and central banker friends in Japan and West Germany) can solve the market crisis on its own, is just what Herbert Hoover insisted on in 1929.

Back then, it looked for awhile as if Hoover's tactic worked. A month after the crash, the situation had "normalized," and that perception continued through most of 1930. It wasn't until over 1,300 banks failed in 1931 that it finally became clear that none

of the underlying problems which caused the 1929 crash in the first place had been corrected, and that the crash had been, in reality, a harbinger of much worse to come.

## Cap: 'Destruction was complete'

Lost in the frenzy of the 508-point market collapse Oct. 19 was the major news that the United States had blown away an important Iranian military target in the Persian Gulf the same day. Four U.S. destroyers fired over 1,000 rounds in an hour to pulverize and sink an abandoned oil platform in international waters that the Iranians used for radar monitoring and launching rocket-firing speedboats and mine-laying missions.

The decisive, although limited, action had been long awaited, and, as predicted, restored the confidence of U.S. allies in the region while muting those in Congress who had been calling for invoking the War Powers Act.

Defense Secretary Caspar Weinberger walked into the American Stockholders Conference the day after the action, and opened his speech by reporting, "The operation of yesterday was carried out with ease, was done with the aid of computers, and resulted in total destruction."

With a twinkle in his eye, he then added, "Of course, I'm not speaking of the Gulf, but of the stock market."

Overall, however, there was little in what Weinberger had to report that was frivolous. He warned that the Gramm-Rudman deficit reduction sequester, if permitted to go into full effect Nov. 20, will cut 10.5% across the board in the defense budget for every category except military personnel. Such "savagely cuts," he said, "will send a terrible signal to friends and foes alike."



# Frankhauser-CIA link exposed

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*In an extraordinary last-minute development in the "LaRouche trial" in Boston, the CIA has produced a document confirming defense arguments on LaRouche's ties to the intelligence community.*

Defense lawyers in the famous Boston trial of *U.S. v. The LaRouche Campaign, et al.*, on Oct. 20 identified a CIA document delivered to the court as bearing upon the relationship between defendant Roy Frankhauser and the Central Intelligence Agency.

Previously, the prosecution had based its case upon the assertion, that defendant Frankhauser and prosecution witness "Forrest Lee" Fick had merely pretended to be connected with the CIA. Defense motions have insisted that the prosecutors are attempting a massive cover-up of politically motivated intelligence community involvement in attempting to set up the defendants for federal prosecution.

The declassified portions of the CIA document released referred to a Jan. 21, 1983 meeting between LaRouche and CIA officials at Langley headquarters. According to defense counsel's statement to the court, that meeting had not only been arranged with assistance of defendant Frankhauser, but Frankhauser had done advance work in arranging LaRouche's entry to the CIA compound for the meeting.

Defense attorney Odin Anderson reported that the January 1983 meeting had been part of LaRouche's continuing relations to the office of the CIA deputy director. An earlier meeting, with Adm. Bobby Inman, had been the subject of Inman's interview on the subject, published in the news media during 1984. Defense counsel reported the January meeting at Langley as arranged to prepare a face-to-face meeting with Inman's successor.

Defense counsel argued that the names of CIA officials involved were needed as potential witnesses to assist in clarifying those aspects of Frankhauser's connections with the CIA placed at issue by the Justice Department in the case being readied for trial.

The Justice Department's charges of obstruction of justice in the Boston case are based on the testimony of prosecution witness Fick. By his own admission, Fick wrote a document transmitted to some of the defendants in December 1984, in which Fick recommended burning of unspecified documents in the defendants' possession. Frankhauser has been implicated by Fick as adopting this written proposal.

The prosecution says Fick testified that the other defendants, adopted his proposal.

The prosecution has constructed fictitious sentences out of fragmentary, isolated words in the notebooks of some of the defendants, inventing sentences to conform to Fick's alleged testimony. This is assessed as a desperate attempt by the prosecution, to shift the burden of its case away from its original reliance upon the unsupported testimony of Fick.

According to the prosecutor's complex conspiracy theory, actions by the defendants which were legal in themselves are construed to be actions taken in aid of furthering a conspiracy. The logic of the prosecution's entire case hangs upon defending Fick's insistence that he and Frankhauser were a pair of mercenary rogues, who lied to defendants about connections to the U.S. intelligence community.

The defense argues that Frankhauser has longstanding relations to the U.S. intelligence community, and that both Fick and Frankhauser were operating under President Reagan's Executive Orders 12333 and 12334 during the period 1982-86. The defense will expose Fick's control agent as one Monroe N. Wenger, a government employee and a well-known specialist of the intelligence community's operations section. The defense is expected to show that the relevant paragraph in the document written by Fick is a gratuitous insertion, used to lay a misleading paper trail to the defendants.

According to sources close to the defense, shortly after the writing of the December 1984 document in question Wenger and Fick had a 1985 meeting with LaRouche, during which both Wenger and Fick attempted to solicit LaRouche's endorsement for an intelligence community "termination with prejudice" of Frankhauser. According to sources, LaRouche warned the pair he would take measures to prevent any such action against Frankhauser. Shortly after that meeting, according to sources, Fick was discharged from private agencies retained to assist in security for the defendants; Fick then went to the ADL and NBC-TV News, where he was groomed to become a federal witness against LaRouche et al. in 1986.

## LaRouche trial postponed several weeks . . . again

On Oct. 20, Boston federal Judge Robert Keeton granted motions from most defense attorneys to sever the trial of defendant Roy Frankhauser from that of Lyndon LaRouche, several of his associates, and five organizations. Keeton further decided to try Frankhauser first, thereby delaying the larger trial until at least Nov. 16.

Assistant U.S. Attorney John Markham had joined with the defense in requesting the severance of Frankhauser, and during the argument on Oct. 20, offered Frankhauser's lawyer all the assistance he might need in preparing his case.

Judge Keeton's decision was made over the heavy objections of Frankhauser's court-appointed attorney, Owen Walker, who claimed he was not prepared to go to trial—although the trial of all defendants was scheduled to start Oct. 20. Walker insisted that the severance was simply a tactic for delay by the defense, that it would cost the government more money, that the other defense lawyers wouldn't get paid, that it would take longer, etc., etc.—although Walker himself had previously asked for a severance.

Judge Keeton, however, found that the length of the two trials would not be greater than one consolidated trial.

The primary reason given by Judge Keeton for the severance was the clear evidence that Frankhauser and the rest of the defense were preparing "antagonistic," "inconsistent" defenses, and that the rights of the defense would

be jeopardized by a joint trial. It would be "easier to ensure a fair trial if there were a severance."

The judge's point was repeatedly illustrated by Frankhauser's lawyer, who claimed that his defense strategy would be based on blaming LaRouche for whatever wrongdoing might have been committed. "I've got to put on the government's case," Walker said. "I say that Mr. LaRouche was responsible for anything that happened."

Walker attempted to back-track Oct. 20 on the incompatibility of defenses between Frankhauser and the other defendants, although he had emphasized just that point during pre-trial hearings and jury selection. Walker had gone so far as to bring a motion trying to prevent the other defendants from using a "CIA defense"—which motion was denied by the court.

Walker's hysterical arguments caused some defense attorneys to renew their own severance motions, and others to join it. Thomas Shapiro, speaking for IDL and TLC, summed up the view of the other lawyers by saying that, without a severance, the LaRouche-associated defendants would be facing the prospect of the government attacking them in front, and Walker from behind.

As in the hearing on Oct. 19, Frankhauser tried to speak a number of times, only to be silenced by his court-appointed lawyer. When Markham referred to Frankhauser's "confession" as "freely given," Frankhauser blurted "absolutely not" before his lawyer shut him up. At one point, Frankhauser tried to stand and say, "I would like to be heard," but sat down at the insistence of his lawyer.

A hearing was held Wednesday morning, Oct. 21, on his motion to suppress his "confession"—which is actually an FBI "302" report on statements allegedly made by Frankhauser after his arrest and jailing in October 1986. The motion was denied.

The defendants have presented pre-trial motions documenting the prosecution's actions as flowing out of a campaign launched during mid-1983, visibly centered around National Security Council contract employee Roy Godson, to make LaRouche a target of the FBI's counterintelligence operations.

Defense motions document orders to the Department of Justice to launch such a prosecution from prominent officials, such as Henry A. Kissinger, David Abshire, and Edward Bennett Williams, of President Reagan's Foreign Intelligence Advisory Board, and the Intelligence Oversight Board of special consultant John Norton Moore.

It is widely known, that a section of the intelligence community under the late Director William Casey acted to unleash LaRouche's longstanding political adversaries within the Department of Justice, at about the time Judge William

Clark was leaving the post of National Security Adviser.

According to observers, LaRouche's enemies inside the intelligence community are centered in the Irangate-linked, bipartisan National Endowment for Democracy and the social-democratic nest long centered around Jay Lovestone. After LaRouche crossed Casey by opposing President Reagan's signal to go ahead with the Contra operation, additional factions of the CIA were turned against LaRouche.

After the March 18, 1986 Illinois primary, panic-stricken leaders of the Democratic Party, including National Chairman Paul Kirk and New York Gov. Mario Cuomo, publicly proposed to destroy LaRouche "by legal or other means." Most observers agree, that such demands from Democratic Party leaders pushed elements in the Justice Department to unleash the wave of legal actions on alleged "credit card" and other charges, prepared over the summer of 1986.

# Elephants & Donkeys

by Kathleen Klenetsky

## Stock market plunge dooms GOP hopefuls

The collapse of the U.S. stock market has shattered the myth of the Reagan recovery, and doomed the White House ambitions of George Bush and the other Republican presidential candidates. Bush et al. had pinned their hopes of electoral success on the so-called five-year Reagan recovery, but now that this delusion has evaporated, the Republican candidates find themselves up the proverbial creek.

One GOP insider summed up the party's chances this way: "You can just forget it! There ain't no way—even if Gorbachov came over to Washington and kissed Reagan's feet—that we're going to win in '88." The economic downturn "has killed us," he said.

The political fall-out will fall most heavily on Bush, who, as vice president, swallowed his 1980 criticism of Reagan's "voodoo economics," to become an enthusiastic purveyor of the recovery myth.

The Bush faction had hoped to hold the economy together until November, but that is clearly no longer possible.

Fears of an economic debacle had been haunting Republican strategists long before the market crashed—though they wouldn't admit as much publicly. Just before the stock market plummeted, former President Richard Nixon wrote a confidential memo, reported in the Oct. 18 London *Sunday Times*, stating that if the economy faltered, the Republicans couldn't possibly retain the White House. Under conditions of economic difficulties, wrote Nixon, the Democrats could "nominate a jackass" and still win the presidency.

Nixon also touched on Bush's "wimp factor" problem, complaining that the vice president "comes through as a weak individual."

Even before the financial maelstrom broke, Bush had been encountering serious difficulties, especially among key political and intelligence layers in London and Paris, who, after his recent visit, worried aloud that his wimpiness could lead to a fatal accommodation Moscow.

To the dismay of many European policymakers, the vice president had spent much of his European tour last month twisting arms on behalf of the INF agreement. That dismay was compounded when Bush formally opened his presidential bid days later by challenging his fellow Republican candidates to support such a treaty.

Bush defended the proposed accord—which many fear will lead to the decoupling of NATO and Soviet hegemony over Western Europe—as "hard-headed, verifiable, and in the best interests of our national security,"

Shortly after Bush's tour, a senior British official privately reported that the "British intelligence establishment opposes Bush," because of his support of the INF treaty, and his stubborn blindness on the worldwide financial and economic crisis.

Another senior British military intelligence official characterized him as "strawberry jelly, who would collapse if a half-pound weight were to be placed on his shoulders."

## Robertson hits back at Bush, Reagan

Bush rival Pat Robertson is capitalizing on the vice president's image as an Eastern Establishment "Rockefeller Republican," and attempting to distance himself as far as possible from

the Reagan administration. The television preacher castigated Bush as a "whiny loser," during a campaign appearance in Seattle Oct. 16, where he also took a swipe at Nancy Reagan's undue influence over strategic policy.

"My wife does not like communists," Robertson told the Western States Republican Leadership Conference. "I want to set your mind at ease. She has never suggested that I make an accommodation with the Soviet Union in order to win the Nobel Peace Prize."

Robertson also attacked George Shultz, announcing that he would appoint as Secretary of State "someone who would stand up for America instead of someone who would try to move the nation toward a one-world socialist government."

Robertson's tough talk rings somewhat hollow, when taken in the context of his own demands for defense spending cuts and a U.S. pullout from Western Europe—not to mention his recent public statement that, though he opposes the INF treaty, he would have no choice but to implement it.

## Jackson off to the Persian Gulf

In an attempt to replay his grandstanding trip to Syria during the 1984 presidential campaign, Jesse Jackson plans to tour the U.S. military contingent in the Persian Gulf. Jackson was at the State Department Oct. 20, where he was briefed by Deputy Assistant Secretary of State Edward Djerejian.

Why he is going is not entirely clear, since he was one of the most virulent opponents of the deployment when it was first announced—although he now says he would not urge an American withdrawal, at least not yet.

# 'Attend your own funeral, arrange your death now'—this book tells how

by Linda Everett

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## **This Far and No More, A True Story**

by Andrew H. Malcolm

Times Books, New York, New York, Random House, Inc.

247 pages, hardbound, \$17.95.

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Andrew Malcolm, Chicago bureau chief of the *New York Times*, opens his book describing how he started his investigation into the right-to-die arena, which eventually led to writing this book. In 1984 he was researching a news item about an elderly man who walked into a Texas hospital, shot his wife who suffered from Alzheimer's disease, and then

turned the gun on himself. When Malcolm asked the hospital spokesman for more information about the man who walked into their facility and killed his wife, the spokesman replied, "Which one?"

This incident, Malcolm says, launched him into a period of research that led to a lengthy series of *New York Times* articles and this book. Judging by the results of his "research," Malcolm is now "top gun" in the press for the euthanasia mafia.

*This Far and No More* is based on the true story of a New York psychologist who is stricken in her mid-forties with ALS—amyotrophic lateral sclerosis or Lou Gehrig's disease, a neuro-muscular disorder causing muscle degeneration and sometimes total paralysis. The central character, "Mrs. Bauer" (all names changed to protect the guilty), her husband, and lawyers and doctors from the Concern For Dying, CFD, plan her death in "the least illegal manner possible" in September 1983.

CFD carefully evaluated any family, friends, or nurses who might be "whistle-blowers" and "negotiated" Bauer's death with hospital physicians who did not want her dying in any "accident" at their hospital. During a visit to her home, a Concern For Dying physician injected the patient and turned off her respirator as he had done with others many times in the past.

Malcolm's book is written around Bauer's journal, which she kept up throughout her illness; when totally paralyzed she used a printing machine. Malcolm develops a chronological background and enough right-to-die rubbish to blot out Bauer's initial but inadequate refusal to "give in" to her disease. Before long, she shifts from science and doctors to alternative medicine and quacks who variously massage her body, put her in touch with her "earlier Egyptian life," and charge \$50 an hour in the process. Unfortunately, her perspective of humanity's fight, her own (as well as Malcolm's), does not extend beyond Nietzsche's: "Would that there came preachers of *quick* death!" So Bauer, fed by death-and-dying literature, succumbs to the dominant cultural pessimism that fosters medical budget cuts, nursing shortages, collapsing hospitals, and warehousing of paralyzed patients. When Emily Bauer turns to Concern For Dying, these problems cease to be hurdles one overcomes and become reasons to die—which she did, after a gathering of friends at her pre-death funeral.

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NBC-TV used Malcolm's book as a basis for their Columbus Day TV movie "Right to Die." Both the book and film, a Dan Ohlmeyer production, draw enormously on the capacity of their audience to empathize and be emotionally hard hit by the story of a sick woman who can no longer wrap her arms around her young children, no longer smile at her husband and whose friends become overwhelmed moments before her (arranged) death. Suddenly, the audience is sobbing for this gang of murderers. How can that be? Aha, this is Nazi propaganda at its best!

Bauer, played by Raquel Welch, gasps for breath, as she pleadingly tells her husband, "My body is a coffin, I am being buried alive, I want to die. . . . If you love me, you'll do it. . . ." Using Hollywood magic and a seasoned reporter's manipulation and lies, the right-to-die crowd wants *you*, if faced with a similar crisis, to bail out.

We are told that Malcolm's advocacy for physician-assisted death makes Derek Humphry of the Hemlock Society look like a pussy cat. His book drums up demands for "negotiated death." His "research" plies the euthanasia lobby's latest campaign, targeting conscious but paralyzed victims of ALS and similar disorders. In the last year courts have acceded to the starvation suicide wishes of several ALS patients, including the precedent cases in New Jersey of Beverly Reuena and Kathleen Farrell, whose families wanted explicit laws allowing the "right to die" for patients who are "mentally competent, but [their] body . . . dead."

### Modern medical nihilism

There are about 5,000-10,000 new ALS cases every year, and at any time 20,000-40,000 living patients in the United States. But whether an ALS patient opts for living is frequently based on his physician's outlook and the patient's ability to pay for medical and nursing care. Physicians at San Francisco's ALS Research Center were so totally outraged by routine non-treatment of ALS patients that they wrote in the *British Medical Journal*: ALS provided "an astonishing example of therapeutic ignorance or nihilism in modern medical practice." The physicians' proper role, they said, is to offer treatments that relieve the patient's symptoms—not withhold them! ALS patients are not "invariably" terminal—some live for 15-20 years. In others, the disease "burns out." They slam the insurance companies for causing patient suffering by not covering necessary aids that relieve patient's symptoms. One physician-researcher who has cared for 3,500 ALS patients, made it clear: "There is absolutely no place for suicide among ALS patients."

Obviously Malcolm and the Concern For Dying think otherwise. Malcolm writes that the CFD doctor who killed Emily Bauer, said he admired Bauer's bravery in bucking the system, that is, society's laws against murder and suicide. He says, "I'm a nice Jewish boy and I put people to sleep. I regard what I do as very ethical, compassionate, sensible, and moral. On the other hand, Hitler put people to sleep too, and he thought what he was doing was right."

## Books Received

**Lords of the Last Machine: The Story of Politics in Chicago**, by Bill and Lori Granger. New York: Random House, Inc., 1987. \$18.95 hardcover, 242 pages.

**Beyond Our Means: How America's Long Years of Debt, Deficits and Reckless Borrowing Now Threaten to Overwhelm Us**, by Alfred L. Malabre, Jr. New York: Random House, Inc., 1987. \$17.95 hardcover, 174 pages.

**Are We to Be a Nation: The Making of the Constitution**, by Richard B. Bernstein with Kym S. Rice. Cambridge, Mass., and London, England: Harvard University Press, 1987. 342 pages.

**Manufacturing Matters: The Myth of the Post-Industrial Economy**, by Stephen S. Cohen and John Zysman. New York: Basic Books, Inc., 1987. \$19.95 hardcover, 297 pages.

**Memoirs of a Fortunate Jew: An Italian Story**, by Dan Vittorio Segre. Bethesda, Md.: Adler and Adler, 1987. First English Edition. \$16.95 hardcover, 273 pages.

**The Soviet Union: The Incomplete Super Power**, by Paul Dibb. Champaign, Ill.: University of Illinois Press, 1986. 293 pages.

**Fidel and Religion: Castro Talks on Revolution and Religion with Frei Betto**, by Frei Betto. Translated by the Cuban Center for Translation and Interpretation; introduction by Harvey Cox. New York: Simon and Schuster, 1987. \$19.95 hardcover, 314 pages.

**Camp X: OSS, "Intrepid," and the Allies' North American Training Camp for Secret Agents, 1941-1945**, by David Stafford. New York: Dodd, Mead, 1987. \$18.95 hardcover, 352 pages.

**Harry Hopkins: Ally of the Poor and Defender of Democracy**, by George McJimsey. Cambridge, Mass. and London, England: Harvard University Press, 1987. \$25.00 hardcover, 474 pages.

**Spirit of Survival**, by Gail Sheehy. New York: Bantam Books, 1987. \$4.95 paperback, 407 pages.

**A Cup of Coffee With My Interrogator: The Prague Chronicles of Ludvik Vaculik**, translated by George Theiner, introduction by Vaclav Havel. London, England: Reader's International, 1987. \$7.95 paperback, 127 pages.

**The Constitution: Reflections of a Changing Nation**, by Margot C.J. Mabie. New York: Henry Holt, 1987. \$12.95 hardcover, 148 pages. Children's book.

## Dannemeyer AIDS amendment approved

The House approved an amendment Oct. 15 which would require a proposed federal government entity to notify health-care workers about the dangers of AIDS. Sponsored by Rep. William Dannemeyer, a California Republican who has been among the most outspoken advocates of stronger measures to contain the deadly epidemic, the amendment was added to a bill that would establish a federal Risk Assessment Board, empowered to identify, notify, and prevent illness and death among workers who are at increased or high risk of occupational disease.

Dannemeyer's motion would put in this category health-care and emergency workers who are at risk of occupational exposure to AIDS. It also mandates the Risk Assessment Board to "determine the appropriate type of medical monitoring or health counseling with respect to such a population."

Dannemeyer pointed to numerous instances where health care workers have been infected with the AIDS virus, due to inadequate protection. He cited one horrifying case of a nurse at San Francisco General Hospital, who was told by hospital authorities that, in caring for AIDS patients, she could not wear gowns, masks, and gloves because this offended them. She has subsequently sued the hospital and the California Health Department for defects in her newborn son, believed to have been caused by her exposure to the AIDS virus during her pregnancy.

"I find that frankly to be wrong public-health policy," declared Dannemeyer. "Considering that we have between one and four million people who are infected with the virus, nobody knows how many, and we have

not yet adopted a national testing program to determine the extent of the virus in our society, if we do not want to have the phenomenon develop in America where the health-care workers are voting with their feet by going off their jobs, rather than exposing themselves to unnecessary risks, this is the kind of amendment we should be adopting so that our public health officials and the Department of Labor are giving notification to our health-care workers as to how they can protect themselves from getting this virus."

Major opposition to the amendment came from the stalwarts of the "AIDS lobby," including Rep. Henry Waxman (D-Calif.) and Rep. Joseph Gaydos (D-Pa.).

## Senate passes War Powers substitute

After months of wrangling over whether to force President Reagan to apply the War Powers Act to the Persian Gulf reflagging deployment, the Senate approved a resolution Oct. 21 which puts off congressional action on the issue until next January.

The measure, co-sponsored by Senate Majority Leader Robert Byrd (D-W. Va.) and Sen. John Warner, a Virginia Republican, requires the President to report to Congress on the situation in the Gulf within 30 days after it becomes law. Thirty days after that, the Senate would then vote whether to oppose or support the Gulf deployment. The 60-day period would not begin until the House passed the amendment, and the President signed it into law.

It endorses a U.S. military presence in the Gulf, but expresses "reservations" about the reflagging of Ku-

waiti oil tankers.

Warner called on President Reagan to approve the measure, on the grounds that it gives him a way to consult with Congress without invoking the War Powers Act. "It says, 'We support you, Mr. President, and your overall policy in the Gulf,' " Warner claimed.

Warner's characterization of the measure is far from accurate. Although it is admittedly much less of an intrusion into the President's policy-making powers—and less of a threat to the Persian Gulf deployment—than either the War Powers Act, or the Nunn-Byrd amendment offered late in the summer, it presents the threat that the Congress will indeed terminate the operation, which Secretary of Defense Caspar Weinberger has termed essential to protect international shipping, and to hold back Soviet incursions into the Mideast.

As Sen. Lowell Weicker (R-Conn.), one of the major proponents of invoking the War Powers Act, put it, the resolution means that "the President can no longer keep Congress out of the way, and Congress has come to the realization that it does have a responsibility in matters of war and peace."

The Senate Foreign Relations Committee released a report in mid-October, suggesting how strong sentiment is on Capitol Hill for shutting down the U.S. escort operation. The study called for a new look at policy in the Gulf, faulting current policy for having "nebulous" goals and for inviting "more Iranian attacks of increasing severity."

It charges that the decision to reflag and protect Kuwaiti tankers was made hastily on poor rationale, and that the U.S. presence has made shipping in the Gulf less safe than before.

The report also takes issue with Weinberger's contention that growing Soviet influence in the Gulf and Mid-east generally is an immediate danger. "There is little likelihood of Soviet political encroachment among Gulf Arab states," says the report, because of their mistrust and basic differences with Moscow.

What baloney! Moderate Arab states have long feared that the United States would gradually reduce its presence in the region, creating a political and military vacuum which the Soviets would fill. That is precisely what has happened over the last decade; the reflagging operation represents a much-needed corrective to that suicidal course.

## 'AIDS could kill 25 million Americans'

Rep. Dan Burton (R-Ind.) warned from the floor of the House on Oct. 15 that if the United States fails to adopt a comprehensive AIDS testing program, 25 million Americans could be dead of the disease by the year 2005—just 17 years from now.

Burton based his prediction on a new computer study conducted by Dr. Allan Salzberg, chief of the medical service at the Veterans Administration in Miles City, Montana.

The study compares how many Americans will contract AIDS, how many will die, and how much the epidemic will cost over the next 20 years, if testing and related measures are implemented, and if they are not.

Assuming that testing is not adopted, Salzberg estimates that by 2005, some 25 million Americans will die of the disease, and 43 million will be carriers. Costs will total \$8.2 trillion.

If, on the other hand, an effective testing program is put into action by 1990, Salzberg believes the AIDS pandemic could be contained, with 2 million casualties and another 2.4 to 3.3 million carriers.

Burton, co-sponsor of a mandatory AIDS testing bill now pending in Congress, warned that voluntary testing alone would be entirely inadequate. "AIDS is a pandemic, not just an epidemic," he said. "I use the analogy of the bubonic plague which wiped out half of Europe during the 14th and 15th centuries. That disease . . . became so bad that they would nail windows on houses shut and burn people alive the minute somebody said 'plague.'

"We do not want that kind of thing to happen in the United States. We want to have an orderly way to deal with this epidemic, but if it gets out of control, because we have not done the proper things today, then we are going to have a real problem on our hands, not only economically, but as far as dealing with it as a civilization."

If the United States doesn't get down to the "hard decisions" needed now, Burton warned, "we may be facing a problem that humankind has never seen in the history of this Earth."

Burton announced that he had sent copies of the Salzberg report to every office on the Hill.

## House calls for Panama aid cut-off

Following in the footsteps of the U.S. Senate, the House adopted a non-binding resolution Oct. 19 urging the administration to terminate all U.S. aid to Panama, and to give the "Marcos treatment" to Gen. Manuel Antonio Noriega, chief of the Panamanian

Defense Forces.

The resolution is part and parcel of the State Department's attempt to overthrow Noriega, who has become a thorn in State's side, because of his nationalism and strong opposition to both IMF policies and the international drug traffic.

Like the Senate resolution, which passed 97-0, the House measure calls on the United States to cease "all economic and military assistance" and "suspend all shipments of military and spare parts" to the Panamanian government unless it meets a number of conditions, among them: ensuring "civilian control of the armed forces and the Panama Defense Forces"; removing the armed forces' leaders from "non-military activities and institutions"; and instituting a "non-military transitional government."

The resolution's chief sponsor is Mel Levine, a liberal California Democrat who usually vents his spleen on the Strategic Defense Initiative.

## House backs law on special prosecutor

A measure to make permanent the law authorizing special prosecutors to investigate wrongdoing by government officials was approved by the House on Oct. 21.

The move is a blow to the administration, which had argued that the law was unconstitutional because it violates the separation of powers.

The 327-87 vote is far more than the two-thirds necessary to override a presidential veto. The Senate was expected to take up a similar measure in late October, which differs from the House bill in that it would extend the current law for five years.

## Cuomo gets CFR's stamp of approval

New York Gov. Mario Cuomo, who recently spent a week in the Soviet Union meeting with top Russian officials, has gotten "thumbs up" from the New York Council on Foreign Relations. On Oct. 14, about 250 members of the elite Eastern Establishment organization turned out in Washington to hear Cuomo pontificate on Establishment foreign policy, and to purvey the line that it is in the United States' interest to ensure that Gorbachov's *perestroika*—"restructuring" for war buildup—is a success.

According to the *New York Times*, CFR members turned out in force because of "the uncertainty in the 1988 Democratic race for President and the hope by many in [Washington] that a stronger candidate, perhaps Mr. Cuomo himself, might enter the contest or be drafted."

The CFR was apparently impressed by Cuomo's performance. Not that there was any substance to his remarks. "It was his presentation, his style of thinking and talking that people mentioned to one another," remarked investment banker Peter Peterson, a former Secretary of Commerce and leading light in both the CFR and Trilateral Commission.

Cuomo also drew praise from former Defense Department employee Richard Perle. "What he said was unexceptional," said Perle. "But the manner in which he said it was exceptional. He was unusually candid. He's forceful and lively. I agree that that was what people were talking about."

## Teller slandered on x-ray laser

The Southern California Federation of Scientists issued a press release Oct. 14 accusing Dr. Edward Teller of having consistently lied about the potentialities of the x-ray laser—a leading research item in the Stra-

tegic Defense Initiative program.

The Federation claims to base its charges upon anonymous documents received over the recent period. They charge that Teller and his collaborator, Dr. Lowell Wood of Lawrence Livermore National Laboratory, "conveyed both orally and in writing overly optimistic, technically incorrect statements to the nation's policymakers regarding the potential of Excalibur," codename for the project.

This is the second time that such charges have been leveled at Teller and his collaborators in the last two years. The original charges, appearing in the *Los Angeles Times*, were based on a laughable misinterpretation of test results, in which the x-ray laser performed so much better than anticipated that diagnostic equipment was unable to even measure the results. The *Times* accordingly reported that the x-ray laser had not performed as anticipated—overlooking the fact that it had performed better than anticipated.

In its July 18, 1986 issue, *EIR* published lengthy excerpts from a General Accounting Office report which completely cleared Lawrence Livermore of charges that it had attempted to defraud the government, by exaggerating claims for its x-ray laser experiments.

## Congress to target Contra drug-running

The next phase in U.S. congressional investigations into the Contras will focus on drug-running and gun-running by the Nicaraguan Contras—and on charges that American officials condoned the crimes, the London *Daily Telegraph* reported Oct. 20.

According to the *Telegraph*, U.S. Rep. William Hughes, chairman of the crime subcommittee, has said the panel is widening its investigation of possible crimes by and for the Contras. He is quoted, "We are developing some very troubling information."

The crime panel is also tracking allegations that federal officials knew of and discouraged prosecution of the crimes.

## Panama deports U.S. colonel

The former commander of the U.S. Military Assistance Group in Panama, retired Army Col. Charles "Chico" Stone, was put on a plane at 3 a.m. Oct. 16, with a first class ticket courtesy of the Panama government, and deported to the United States. He was caught "distributing subversive leaflets" against the government in Panama City, as a "private citizen."

U.S. Ambassador Arthur Davis was shown a videotape of Stone's participation in an opposition demonstration on Oct. 10, after which both the embassy and the U.S. Military Southern Command declared that Stone was acting as a private citizen. The embassy identified Stone as a "former employee," and the Command said he was "former military personnel." Therefore, they had "no comment."

This was only the latest incident proving that the U.S. government amounts to the only "democratic opposition" in Panama. On Sept. 13, a U.S. embassy employee, David Miller, who had been in the Philippines for the overthrow of Marcos, and in Haiti for the overthrow of "Baby Doc" Duvalier, was also arrested for participating in an opposition demonstration.

The Oct. 20 edition of the *Washington Post* amused observers by beginning its article on the Stone affair, "The government controlled by military strongman Gen. Manuel A. Noriega has escalated its campaign of political attacks on Washington with a series of actions to harass U.S. diplomats, servicemen, and other citizens in Panama, a U.S. spokesman said."

The nonexistent character of the indigent "opposition" was demonstrated anew shortly after Stone's arrest. On Oct. 22, more than 10,000 American military personnel and civilian workers were advised to stay out of Panamanian cities during a national work stoppage and mass demonstration promised by opposition leaders. Col. Gar Thiry, a U.S. military spokesman, warned Americans in a broadcast on the military



## Briefly

Southern Command Network to stay at home and out of Panama's cities unless they were on official or emergency business.

Thereupon, only 400 people turned out for the demonstration, and were easily dispersed by riot police.

### Soviet space station has military objectives

A new Defense Department assessment has concluded that the Soviet Union is likely to "dramatically increase" the tonnage of space hardware it launches over the next 5-15 years, and that the Mir space station is dominated by military objectives, according to the Oct. 12 *Aviation Week and Space Technology*. The report was also critical of the absence of military objectives characteristic of the U.S. space program.

"The projected rate of growth in the space program, driven by such things as an ambitious manned program, future communications satellites, new reconnaissance systems, and space-based weapons, is expected to outpace overall Soviet trends in both military spending and gross national product well into the future," the report states. The report is being prepared for public release soon.

The increased Soviet orbital tonnage will result from use of the new SL-16 and SL-17 Energiya boosters, the Soviet version of the space shuttle, and greater use of the SL-12 and SL-13 Proton versions.

For example, the Soviets launched three Proton missions in a recent four-week period. The latest, on Oct. 1, was a mission into geosynchronous orbit with a payload designated Cosmos 1,888.

The report states of the space station: "The Soviet Mir space station has been and probably will be largely dedicated to military purposes. . . . Many of the experiments will use visual observations, cameras, radars, spectrometers, and multispectral electro-optical sensors—devices that could support, among other things, anti-satellite and ballistic defense system deployment."

The report was critical of past U.S. space decisions, "because the Western democra-

cies, particularly the U.S., have directed a large part of their space resources and technology toward other goals. . . . We have allowed the Soviet Union to come dangerously close to achieving its military objectives in space."

### Admiral Crowe: U.S. can't afford depression

Adm. William Crowe, chairman of the Joint Chiefs of Staff, warned attendees at a conference of the American Stock Exchange in Washington Oct. 19, that the United States cannot afford the luxury of another Great Depression. Even as he was speaking, the stock market was suffering a record loss.

"In the 1930s, there were no other world powers to threaten us," Crowe said. "But today the Soviet Union has amassed an awesome military power worldwide. . . . The military equation is not controlled by the U.S. alone, but by what our major adversary is doing."

He said the Soviets are superior to the United States in nuclear forces, operate on all the major oceans, and are actively engaged in "low-intensity operations" that include terrorism and limited conflicts on the borders of areas representing U.S. strategic interests.

One day later, Defense Secretary Caspar Weinberger suggested that the stock market crash was partly due to fears that U.S. defense spending is too low. Weinberger opened a speech to an American Stock Exchange meeting in Washington Oct. 20 by noting that the Defense Department had been blamed for the stock market blow-out. "But we had a counter explanation," saying that if the U.S. defense budget was too low, the United States would be unable to guarantee the security of its chief trading partners.

"We feel that the whole problem was caused by the extreme nervousness of investors who felt that the defense budget was going to be low—and that's the explanation that satisfies me." Weinberger made the same comment on two nationally televised talk shows earlier in the day.

● **ALEXANDER HAIG**, a GOP presidential hopeful, told the *Washington Post* that President Reagan's "excessive" defense spending is responsible for the budget deficit, the trade deficit, and the stock market collapse.

● **GEORGE SHULTZ** has officially withdrawn his invitation to the Organization of American States to hold a foreign ministers' meeting in San Francisco in November, the State Department has announced. In a letter to OAS Secretary General João Clemente Baena Soares, Shultz cited the U.S. government's "unprecedented financial difficulties."

● **REAGAN POLLSTER** Richard Wirthlin has announced that he will be working for Bob Dole's 1988 presidential campaign—in an apparent change of heart. Only a few weeks earlier, he had told reporters that George Bush was favored to be the 1988 GOP presidential nominee.

● **A.G. AGANBEGYAN**, chief economic adviser to Mikhail Gorbachov, has replaced Gorbachov's chief adviser, Ivan Frolov, as the man who will tour the United States in October as a guest of the Esalen Institute's Soviet-American exchange program.

● **HENRY KISSINGER**, in an interview with British press, attacked the proposed INF treaty as "an historic joke," then called it "inevitable," and then called upon the Senate to ratify it as the best way to keep the peace movement "off the streets." His curious statements were carried in the *Daily Telegraph* Oct. 18, and in the *Washington Times* a day later.

● **THE NEW YORK** Council on Foreign Relations has established a new "Project on European-American Relations," according to informed European sources. The project is chaired by Cyrus Vance, who also chaired the "1980s Project," which formulated the disastrous policies of the Carter administration.

## Editorial

### *A man for tough times ahead*

The admiring crowd gasped with unisonic awe as the giant helicopter's landing-gear touched the tarmac of Interstate Route 93, just outside Concord, New Hampshire. As the gold-plated rotor stuttered to a halt, the great doors on the side of the purple fuselage's belly were slid down by liveried attendants wearing white uniforms with gold epaulets. An hydraulic mechanism thrust the gangway out from the fuselage; as the lowest step touched the tarmac, a great roll of red carpet unfurled itself, down the stairway, and out from the craft toward the waiting crowd.

Instantly, four bare-chested attendants, each of not less than 250 pounds, adorned with turban, pantaloons, and broad sash, great scimitars at their side, issued from the door of the helicopter, to stand on parade beside the far end of the red carpet.

The adoring throng held its breath until most were blue in the face, lest the sound of their breathing obscure a single prophetic rustling of the great one's approach. A roar of breathless adulation rocketed from the throng as he himself appeared in the doorway of the craft, the Dick von Trog so fabulously wealthy it was rumored that each morning each of the tips of his hairs was individually manicured. It was said that even Rockefeller gasped with awe at the mere thought of von Trog.

The great one swiveled his head slowly, scanning the nearly prostrate crowd with a diffident hint of a smile. He had arrived to receive the pledge of fealty from the citizens of this humble state capital; only those political extremists with dirty minds whispered he had come to steal the gold leaf from the dome of the capitol building.

The great one levered himself down the gangway, and then moved imperiously along the unfurled carpet, while the scimitared attendants, bare chests bluing in the chill winds of an overcast October day, herded the crowd into the looping single file of a reception-line. The great one's secretary scuttled officiously from behind von Trog to assume the spot at which to orchestrate

the reception ceremonies.

The handshaking done, those who had fainted discreetly carried away in waiting ambulances, the great one began his oratorical utterance: "The time has come to stand up and resist the looting of our economy by those foreigners we call our allies." If the crowd had ever doubted this a moment before, now it was revealed to one and all, that this great one was the true presidential material for which all had waited, so devoutly, so despairingly, for so long.

Here was a man who had lifted himself from humble beginnings as a lowly slumlord, to become the acknowledged satrap of a formerly great city, a modern Nero whose mere look could launch holocausts of fire among vast tracts of tenements, and lift whole complexes of high-rise boxes, phoenix-like, from amid the smoldering ashes, a man whose awesome indebtedness exceeded that of many national governments, a man who stood at the peak of an Everest of financial leverage, a man who had risen to such heights from the depths of being von Trog, a man who dared to walk the giddy pathway betwixt vast wealth and abysmal ruin. Who could deny, that this man, more than nearly all others, was the living incarnation of that great balloon which the outgoing President praised as the adored symbol of our national prosperity.

This was the man of the new prosperity. Away with the old! Prosperity is not to be held, but adored; its aromas are to be savored, but not to be tasted, not to be worn, but admired on stage; its splendor is greatest, when it is less diluted by sharing, that assembled, rallied to become an apotheosis of itself in the eye of the envious adorer, gathered into one great mass, in the titled possession of a von Trog.

With a von Trog as President, poor as the nation might become, it would seem all the richer, because all the wealth of the nation which might remain would stand before the world proudly in one great, awesome mass, gathered unto the person of von Trog. Vox populi, vox von Trog; Hail, Caesar, von Trog!

# EIR Alert Alert Alert Alert

In December 1986, EIR Alert told its readers about Brazilian discussion of a debt moratorium. On Feb. 20, 1987—**it happened.**

On Aug. 18, 1987 EIR Alert published an AIDS Alert item on Soviet measures on AIDS. On Aug. 26, 1987, the story hit the front page of the *Washington Post*.

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# Why this is the most controversial publication in the West

## LaRouche on target

“Global financial crash predicted for October,” was the headline of a news release issued by presidential candidate Lyndon H. LaRouche, Jr. last May 26 and printed in *EIR*'s June 5, 1987 issue. LaRouche stated: “Leading European financial officials have warned my associates, that we should expect to see the beginning of the world's biggest financial crash by October of this year. My comment on that forecast: It might not occur in just that way, but, if the Reagan administration continues its present policies, it is certain that the world's economic situation will become much worse than it is today over the summer months. . . .

“Whether the great financial crash of 1987 erupts by October, or later, will depend upon what leading governments do at the international monetary ‘summit’ held in Venice” on June 8-10.

He continued: “As long as the official line of the administration is to stick to the ‘successful economic policies’ of the last five years, the Reagan administration is likely to stick to those policies. This would turn the Venice ‘summit’ into a disaster, destroying the last bit of confidence in the U.S. dollar in international financial markets. Under those conditions, an October crash would be very probable.”

## Venice debacle

In the June 19, 1987 issue, *EIR* reported that the administration had done in Venice exactly what LaRouche warned against: “President Reagan and Treasury Secretary James Baker, during and after the Venice summit, maintained that the United States has experienced an extraordinary period of 53 months of economic growth, and that complete deregulation of U.S. banks will facilitate the rational consolidation of the banking system.”

*EIR* observed: “At this point, the slightest shock could trigger a major financial panic of uncontrollable scale. Never before have international financial investment flows been at such a precarious uncertainty.”

## October crash

On Oct. 19, after the U.S. stock market plunged more than 500 points, LaRouche commented: “The market has elected to choose this most appropriate moment in time to express its total confidence in the accuracy of my forecasting.”

**EIR: Knowledge is leadership.**