

# EAIR

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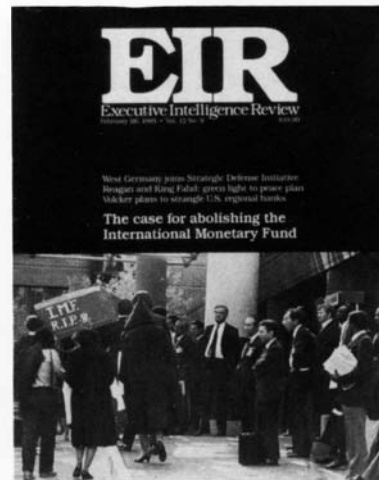
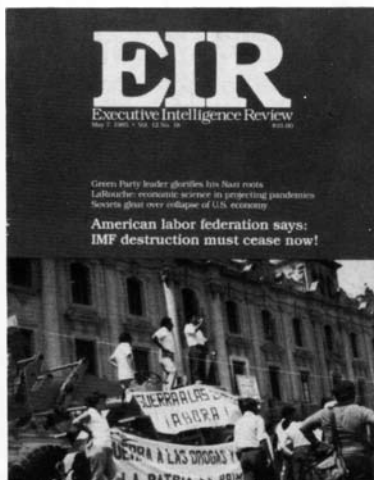
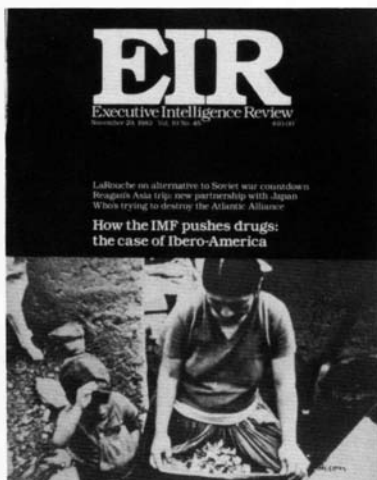
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Mexican unionists' arrests augur Bush disaster  
Soviet pseudo-science could cause World War III  
Thousands demand justice for LaRouche

**International Monetary Fund  
genocide policy: a case study**



# ***IMF Commits Crimes Worse Than Hitler's***



**W**hat is the International Monetary Fund really? Who controls this supranational institution, whose power is greater than that of sovereign governments, and which imposes economic conditions on member states that lead to genocide worse than that for which Nazi war criminals were hanged at Nuremberg?

*Executive Intelligence Review (EIR)*, the weekly journal founded by U.S. economist and political figure Lyndon H. LaRouche, documents the murderous plans of this bankers' cartel, in the perpetrators' own words.

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- **The IMF promotes communist insurgency.** Said Fidel Castro, "The International Monetary Fund alone still inspires confidence in me. It is the IMF that will realize all my plans."

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# EIR

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As is clear in the cover picture, taken at the Martin Luther King Day march in Washington, D.C. that was organized by associates of Lyndon LaRouche, no issue is more sharply and continuously associated with the LaRouche movement than the battle against the wicked policies of the International Monetary Fund and World Bank.

Therefore *EIR*, the review founded by Lyndon LaRouche, is pleased to bring to our readers this week the evidence of an independent voice, that of former IMF official Davison Budhoo, whose six-part Letter of Resignation has been suppressed from the major print and other media in the United States. We print substantial excerpts of two parts of Mr. Budhoo's testimony, his introductory statement and the detailed case study of the fraud perpetrated against Trinidad and Tobago by the Fund, as well as a recent interview he granted to *EIR*.

The issue of how the crushing burden of Third World debt will be addressed—not to mention the less publicized but greater burden of U.S. internal debt!—looms largest on the agenda of crises confronting the new President, George Bush. Soviet leader Mikhail Gorbachov has not failed to take propagandistic advantage of the problem, from the podium of the United Nations, where he mooted debt relief for the Third World, among other things. In the *Science & Technology* section, Lyndon LaRouche contributes a major piece identifying the most dangerous aspect of the Gorbachov speech, the gnostic cultism which would equate care about the "environment" with a halt to technological progress.

The human race can't afford Moscow's "solutions." Yet, this is exactly the tragedy that will occur, if the Bush administration continues on the path already struck in the case of Mexico. The first article in the *National* report, also by LaRouche, addresses an open secret—that the crackdown against Mexican nationalist trade union leaders, which began on Jan. 9, was ordered from Washington and New York. Henry Kissinger, who has resurfaced in person and through his various clones in the new administration, gave the signal for this policy. It is the policy of Hjalmar Schacht, the "financial wizard" of the Anglo-American bankers who became Hitler's economics minister, and whose labor policies paved the way for the death camps in Nazi Germany.

Nora Hamerman

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## Economic collapse thwarts financial power plays

by Chris White

Three economic reports issued in mid-January exemplify why none of the political power plays now wracking the world of high finance will ultimately mean a thing.

These reports include: preliminaries on U.S. oil production and consumption in 1988; the latest data on housing starts; and a report issued Jan. 13 by the U.S. Department of Agriculture on the state of the winter crops.

**On oil:** Production of the fuel resource within the United States over the last year was reported to be at its lowest level in 24 years, averaging about 8.2 million barrels per day. At the same time, oil imports were running at the highest levels since about 1978, averaging about 7.1 million barrels a day. The count of producing rigs is down by about half from the levels of two years ago.

**On housing:** Latest numbers for housing starts show the worst performance since the last so-called "recession trough" in 1982.

**On winter crops:** The USDA report highlighted the continuing effects of aberrant weather conditions. First, farmers did not plant as much, by way of winter wheat and so forth, as the Department had anticipated. Second, the mild winter so far has not produced the snow cover necessary to replenish ground water lost during the drought, while the quality of the land has deteriorated such that water is not retained, but is running off. Winter crops are vulnerable to killing frosts because of the lack of cover. The aberrant weather portends ill for next year's food production (see article, page 6).

The mild weather in the American northern hemisphere is mirrored by continuing drought and excessive heat in the southern hemisphere, affecting Brazil, Argentina, Australia, and New Zealand. There are similar reports of unseasonably mild weather on the Eurasian land mass, where Russia is having its mildest winter in years.

Globally, of course, the food production report is the most ominous. The winter patterns from the northern hemisphere do indicate a continuation of northern hemisphere drought patterns into the next year. Combined with the continuation of heavy rains and drought in parts of Southeast Asia, like Malaysia, and the People's Republic of China, the effects mean that perhaps for hundreds of millions of people, who already face food shortages, food is simply not going to be available, without emergency action.

Further, if the attack now mounted against so-called overproduction of world petrochemicals, conducted in the name of stopping, or controlling, the proliferation of chemical warfare capabilities, is allowed to proceed, food production at the levels of the last decades will become insupportable in whole areas of the globe. Brazilian press accounts have featured scare stories of 20-25% excess capacity globally in this line of industry, while fertilizer and pesticide production could easily be slammed by the kind of criteria employed to drum up the recent scare stories around Libya's Rabta chemical facility.

Each of the cited cases demonstrates that the collapsing world economy is not going to wait for the idiots who insist that they need more time to put their policies in place. The more so, since the policies that are already in place are precisely those which ensure that the collapse under way will continue and accelerate.

Take the case of oil. Oil and oil-related products account for \$40-50 billion of the U.S. annual import bill of more than \$400 billion. This is 25-30% of the total trade deficit. Thus, the continuing destruction of domestic production capacity ensures that there will be no solution to the trade deficit crisis that all pundits point to. At the same time, if pricing agreements which were set to go into effect at the beginning of this

year hold, and the price of oil remains up around \$19 per barrel, then the U.S. oil bill for the months ahead will gravitate up to and beyond the higher end of its range for the past couple of years, and the trade deficit will increase, back above the \$150 billion level. Then, if the case of oil is any guide, the U.S. requirement for foreign funding to cover the deficit will increase.

Another recent report highlighted a different aspect of the same matter. A comparison of hourly wage rates of production workers in the United States, Federal Republic of Germany, Japan, France, and Britain showed that while the United States had been ahead of the pack in 1985, hourly wage rates in Germany and Japan had far surpassed the U.S. by 1988, with only Britain remaining lower. The study highlighted the dilemma that while the tax burden for individuals was growing, the overall level of revenue available to the Treasury, as reflected in declining wage rates, was declining.

The point here, as the case of the destruction of oil production ensures increases in the trade deficit, so destruction of the wage packet guts the tax base, and ensures that the federal government's budget deficit continues to increase.

### **LaRouche proposal was rejected**

And meanwhile the cry goes up from the incoming Bush administration, "We need time, in order to get our policies in place." Yet, so far, the kind of policies available to transform this collapse are rejected. Again, the case of oil is typical. There is a rational way, put forward in early 1986 by economist Lyndon LaRouche during the course of a State of the Union speech delivered in Northern Virginia; it involves setting a trigger price for the imposition of protective tariffs on imports of oil. The trigger price would be set in the estimated range of \$25-28 a barrel, or the range required to set a parity level at which domestic producers recover costs and are guaranteed a fair profit. When the world price falls below the trigger price, the tariff is put into effect.

The proposal is a good deal for U.S. producers, and given the remaining power of the United States, it would be a good deal for all other oil producers, because it would set a world pricing level, which would begin to permit not only an expansion of oil production, but also the revival of the feeder industries which supply the oil producers, from steel makers to machine shops and equipment manufacturers and so on.

The free market ideologists rejected, and continue to reject, the proposal, because they say it interferes with the working of a free market. Others reject the proposal because it is premised on the revival of the institution of the nation-state, as equal among other nation-states, as the arbiter of economic and financial policy. They insist that the world is now so "interdependent" financially and economically that national solutions are no longer appropriate or effective.

This is the kind of view that underlies the repeated insistence that nothing can be done for the world economy unless it is coordinated through the Group of Seven industrial na-

tions, and approved by multilateral agencies such as the Bank for International Settlements, the International Monetary Fund, and the World Bank.

The argument is a fraud and a cover to protect the position of the financial power centers that consider themselves the arbiters of the destiny of countries, like the United States, which are their debtors. Since the U.S. current account deficit—the net amount that the United States owes the rest of the world—is the means by which such power centers exert control over the United States, measures which would reverse the trade deficit component of the deficit on current account are actually ruled out, because they would threaten the power of the creditors.

And thus, those who scream loudest that the U.S. must get its financial house in order, reduce its trade deficit, reduce its budget deficit, also happen to be the ones who insist that the United States do nothing which would actually permit such problems to be readily solved.

### **Realignments of power**

These matters are now set to be on the agenda of a meeting of the Group of Seven which has been set for Feb. 2-3 in Washington, D.C. Billed as a "getting to know you" session with new U.S. Treasury Secretary Nicholas Brady, the meeting is supposed to discuss the dollar and exchange rate policy, the U.S. budget deficit, and Third World debt. Prior to the meeting, a financial power bloc has emerged in which Japanese funding is committed to the support of the policy thrust of Anglo-American financial interests, against especially the central European core around the Swiss National Bank and the West German Bundesbank.

While the Europeans have insisted that the dollar fall, the Japanese have dug in their heels and are said to be buying the dollars that the Europeans dump. Under such a power conjuncture, leading sources in Europe now estimate that the timetable for the next phase of dollar collapse may have been set back for six months or so, to the end of the second quarter of this year.

And there again, it may not work. For the explosive charge of Ibero-American debt is being leveled against especially the United States, in order to win government guarantees—i.e., promises of taxpayers' money—for the larger commercial banks.

Whichever way the financial power plays ultimately turn out, will not necessarily have too much to do with what the protagonists have convinced themselves they are doing. For while the giants square off to impose terms on each other, the ground on which they stand, namely, the world economy, is heading fast into a new ratchet of collapse. To the extent that rational solutions, like LaRouche's measures to foster recovery in the oil sector, premised on national sovereignty, are rejected in favor of the creditors' one-worldist blackmail and nonsense, events will soon overtake the players and their power games.

# Drought ravages North American grain crop; 1989 forecast is grim

by Marcia Merry

The Jan. 13 crop report by the U.S. Department of Agriculture was greeted with some surprise by those grain supply "experts" and others deluded enough to fall for the USDA policy-line on the impact of the 1988 drought: that U.S. farmers will plant enough in 1989 to compensate for the big 1988 grain harvest shortfall, and that drought seldom occurs two years in a row.

Reality is just the opposite. The persistent dryness of 1988 is carrying over into the 1989 crop year. Planting prospects are much lower than the USDA forecasts. And climatologists foresee very little chance of adequate rain between now and April to make up for soil moisture deficits in vast parts of the grain belt.

The official USDA January crop report estimates that 12% more winter wheat has been planted so far this season than last year at this time—but this increase is markedly lower than what the USDA was expecting. After the USDA's report was released, wheat futures prices began to soar on the Chicago commodities exchange the week of Jan. 17, just as they did in the height of the summer drought in 1988.

In addition, much of the winter wheat crop is weak, and subject to "winterkill." Without adequate soil moisture when the crop goes in, the wheat plant's root systems are retarded. On top of this, the snow cover is scant so far this year, and the plants are subject to freezing and windburn—that is, "winterkill."

The USDA report notes dry weather conditions in the Dakotas, Kansas, Oklahoma, Texas, and Oregon. Crops in these states are rated mostly "fair."

The dry conditions in North America, coming together with the drought in the People's Republic of China, and hot and dry weather in the Australian and South American wheat belts, raises the prospect of drastic world wheat shortages in 1989-90. Unless there is a coordinated effort to compensate for grain harvest shortfalls by mobilizing for larger output in regions with favorable weather conditions—such as Western Europe or southern Africa—the conditions for famine are in the making.

## Soviets to increase purchases

In the face of this situation in the West, the Soviet Union, faced with its own enormous shortfalls, is frantically lining up grain import commitments. In December, Moscow concluded a two-year agreement with the United States. It is now negotiating with Australia for a long-term grain agreement. France is delivering 2 million tons of cereals to Russia in January, on short notice.

Just from October to December 1988, the Soviets had ordered over 9 million tons of corn from the United States, and another 1.5 million tons of soybean products. Then in late December, the USDA made the Soviets an offer of 2 million tons of subsidized wheat, with more expected in 1989. Now the question is, where is this all going to come from? On what day will stocks "officially" run out?

In mid-January, the news was officially announced in Moscow that the 1988 Soviet harvest was only 195 million metric tons—a whopping 40 million tons below the state target, and at least 10 million tons below the recent annual harvest. The London *Financial Times* reports that Soviet wheat buyers are currently very active in attempting to line up scarce wheat.

## Impact of the drought

Even the Dec. 30 report on the impact of the drought by a specially appointed presidential task force presented climatological maps showing the poor precipitation prospects for U.S. crops in early 1989. The report, titled *The Drought of 1988; Final Report of the President's Interagency Drought Policy Committee*, stated: "Subsoil conditions and weather patterns indicate that the probability of receiving necessary precipitation is almost nil in some parts of the Northern Plains. Parts of the eastern cornbelt may also experience low soil moisture prior to planting next year."

In an attempt to minimize the obvious implications of this for the U.S. and world food supply, the report states glibly: "In an economy as large and diversified as that of the United States, sectors most directly affected by the drought account



for a relatively small share of aggregate output." Those short of food are to be soothed by how little they count in aggregate output.

A survey of farmers conducted by *EIR* shows an even worse picture of crop prospects than the Jan. 13 USDA report dares to report. The USDA intends to continue to commit huge exports of grain to Russia, and to deny the scarcity of food stocks and rising food prices at home.

The following is a summary picture of the drought-stressed crop and livestock conditions in the High Plains, from north to south.

**North Dakota:** Grain and cattle farmer Gerald Kopp reports that soil moisture is adequate in only 2% of the state and short to very short in the remaining 98%. "Fall tillage was much reduced, as fear of soil erosion hindered farmers from undertaking their normal soil management in preparation for spring planting. Fall tillage is normally done in conjunction with fertilizer application. But potential fertilizer carryover in the soil has farmers stalling with a wait-and-see attitude, as application and investments may very well be wasted if it stays dry. Six to eight inches of rainfall are needed to replenish soil moisture to average levels. The fall rainy season didn't happen. And frozen soil does not absorb moisture from snowfall."

Federal climatologists say there is less than a 1% chance that sufficient precipitation will take place in this region by April.

This area is one of the world's leading producers of spring wheat—the kind used to blend with other wheats to bring up the quality of wheat used for baking. Therefore, the situation for crop production in 1989 is far worse now than it was in 1988. There was sub-soil moisture in 1988 for the crop to survive on. This is not the case now. The spring wheat harvest was down by 50% in most areas last year, but there was some crop. It is much worse now.

In the Dakotas, pregnancy tests of cattle herds are showing that the number of "open" cows (not pregnant) is far above normal. Sixteen to twenty percent open is not uncommon now, whereas normal should be 3-5%. This is a natural result of poor grazing, limited pasture, and poor water supplies. Ranchers cannot afford the feed costs of carrying over non-producing cows. These cows go to slaughter, and the national cow herd, already small, is shrinking further.

The average age of the national cow herd is the oldest in history. The USDA merely reports: "U.S. beef production will decline 7% in 1989, to the lowest since 1980" (*USDA Agricultural Outlook Summary*, Dec. 20, 1988). In January, the USDA announced that the ban on imports of Mexican beef will now be lifted. The ban was imposed in 1985 on the grounds of faulty Mexican meat inspection.

**Minnesota:** Southern Minnesota farmer Andrew Olson reports that the famous "snirt" storms—a grey mixture of snow and dirt—are not uncommon in the state this winter. Soils are very deficient in moisture, and dirt is swirling lo-

cally, and also blowing in from the Dakotas. Small drifts of dirt are showing up in the ditches along the road. In Olson's experience, farmers in Minnesota could usually count on a good moisture profile in the soil to carry through a corn crop, even during hot dry conditions in the summer. But now, there is serious sub-soil moisture deficiency. "We might be able to make it through if we get at least average precipitation for the rest of the winter, and spring." But without this, Olson is pessimistic about the prospects for the crop.

**Iowa:** Sub-soil moisture is seriously deficient in many parts of this leading corn state, except for the northwestern counties. In addition, the 1988 drought has had a continuing impact on livestock. Many hog farmers found this fall that hogs farrowed only 1-3 pigs, instead of 7 or more, because the searing summer temperatures prevented conception.

**Kansas and Oklahoma:** The dirt is also blowing in certain of the western parts of these states, part of the heart of the North American winter wheat belt. Oklahoma farm leader George Gentry reports that farmers in the western counties report on how "the fronts pass over, but there's no rain—only a trace." In this state, soil drifts are common in sandy areas, but not like the dirt drifts at present. Unlike the lead-up to the Dust Bowl era of the 1930s, when farmers were not using the soil conserving techniques of today (like "conservation tillage," allowing straw cover, not using the moldboard plow, planting windbreaks, rows of trees) today's farmers have, in the main, used these soil-saving farming techniques, so that when the drought conditions get as bad as they are now, the potential for calamity is much worse.

Because of the fall dryness, which impeded the wheat plants from putting down good root systems, farmers could not follow their usual schedule of putting stockers (350-400 pound heifers and steers) on the wheat pasture over the winter. Usually these animals can be grazed on the winter fields until early March, giving the farmer additional income, and not harming the spring growth of the wheat and the grain yield at harvest. But the lack of precipitation this year has prevented this in many areas, and also exposed the weakened wheat plants to winterkill.

**Texas.** Farmer Lester Dahlberg reports that the weather has been erratic and unfavorable for the wheat, and the grazing practices in western Texas. There, when the wheat was planted in September, the hurricane period brought adequate rain to bring the crop up. But then a dry spell set in. "The ground cracked. If there is too much space between rainfall, the soil can dry out." Finally, more rain arrived in December, but the winter wheat grazing schedule could not start until then, after the wheat root systems were extensive enough to bear foraging by the animals—especially sheep, which tend to pull up plants by the roots more than cattle. Dahlberg hopes that if there is sufficient rain in the next 30 days, crop prospects for this year will be favorable. For Dahlberg and thousands of others in Texas, last year's crop was lost. "It had to be disastered out. No one cut wheat."

# Pemex bust clears the way for fascist economy in Mexico

by Carlos Cota

The trumped-up charges that the Mexican regime lodged against oil workers head Joaquín Hernández Galicia to justify its Jan. 10 assault on the union, are not taken seriously by anyone. The obvious fact is that the government has a plan to dismember the state oil monopoly, Pemex, as a step to its later privatization through “co-investment” and/or concessions to private investors.

Every time that Hernández Galicia (who is known as “La Quina”) has had an opportunity to speak publicly, since the Army and police dragged him from his house to prison, he has stressed that this was the real motive for his arrest. “We have said that we would never go on strike—though the law grants us that right—except in the case that they keep denationalizing Pemex, as we have already seen. I know that they have handed over 23 petroleum products catalogued as raw materials. If we strike, it will only be to defend Pemex and the nation.”

The “Pemex restructuring program,” concocted by the World Bank, consists of separating primary exploitation, the petrochemical industry, and product distribution into three formally separate administrative entities. Petrochemical activities are also being reclassified to circumvent Mexico’s Constitution, which reserves to the nation-state ownership of all strategic economic sectors.

Another 25 basic primary petrochemical products will be reclassified, not only to permit private investment in new plants producing these products, but even to all private operators to buy out the petrochemical complexes that Pemex built during the José López Portillo administration (1976-82). The multinationals hovering like vultures in anticipation of President Carlos Salinas’s “reforms” include: DuPont, Royal Dutch Shell, Celanese, and the Kremlin’s favorite Western financial operative, Armand Hammer.

The misnamed “national energy plan” issued by Energy Undersecretary Alberto Escofet Artigas, holds that foreign and Mexican private investors could become partners in strategic industries without any substantive changes in the Constitution. This plan also accepts “co-investments” in electricity generation. Thus, the head of the electrical workers union, Sen. Rodríguez Alcaine, is likely to get the same treatment as Hernández Galicia.

This policy continues what the Miguel de la Madrid administration (1982-88) did to the economy. Since 1988,

the entire secondary petrochemical sector has been privately controlled. Since 1986, the government has granted licenses for production and sale of 36 of the 70 basic petrochemical products. The government officially acknowledges that 75% of petrochemical production is in private hands.

The De la Madrid government made “preferential use of foreign development funds, that is, loans,” rather than budgeting investments by Pemex itself. Juan Antonio BARGUES Mestre, technical secretary of the Petrochemical Commission, declared Feb. 23, 1988 that the government also promoted “renting the federal government’s infrastructure to foreign and domestic private initiative” and “setting up companies providing general services to the petrochemical industry,” especially in those sectors already rented or susceptible to being rented.

Many claim that these are merely measures to make what is left of the state sector “more efficient.” Some of these apologists for the policy are wrong; others are lying; and the leaders of the Confederation of Mexican Workers (CTM) are simply cowards. What is being made more efficient, is the fascist looting of real wages and of funds that should have been reinvested in maintaining and expanding productive capacity. Roadblocks to the looting of Mexico’s natural resources are being smashed.

Pemex, the backbone of the Mexican economy, is the only part of the economy which has kept functioning, thanks to the oil workers union and its leaders.

## Economic earthquakes

The September 1985 earthquake did \$2 billion in damage, but De la Madrid’s economic policies lost Mexico the equivalent of four earthquakes per year, the business daily *El Nacional* calculates. Its study, based on government and U.N. figures, shows that from 1982 to 1986, Mexico suffered:

- A 10.6% drop in per capita Gross National Product.
- A 32% drop in investments; 23 trillion pesos failed to be invested annually.
- One of every two youths who sought a job did not find one.
- Real wages were cut by 50%, making them among the world’s lowest.
- Nutritional levels were cut, putting 50% of the people on the edge of malnutrition.
- Communicable diseases increased 61%, due to malnutrition combined with health care reductions.
- The housing deficit increased so that 45% of the population lived in filthy substandard conditions.
- Half of the children failed to complete primary school, dropping out to join the “informal economy.”
- The lack of jobs, and of hope, has brought a major increase in criminality, violence, and vagrancy.

During the six years that this was happening to the economy, Mexico sent \$83 billion in debt service payments abroad.

*El Financiero* calculated that that money could have paid 5.8 million minimum wage salaries per year or could have built 3.7 million housing units to shelter 20 million Mexicans. The \$10 billion Mexico paid annually for interest could have built 9,000 average factories.

Today's "modernization," the direct seizure of oil, minerals, and agriculture, requires a cheap, disposable, labor force. Hence, there is no room for unions.

One of the masterminds of Mexican union-busting is Lorenzo Meyer, one of a nest of New Age "scholars" formed at the College of Mexico by its president, Victor Urquidi. Urquidi is one of two Third World members of the Club of Rome, an institution committed to reducing the world's population, by any means necessary.

In *Excelsior*, Jan. 13, Meyer called for dismantling Mexico's trade unions, and reducing the labor force to the minimum level compatible with maintaining heartbeat and gonads—nothing less than a Nazi concentration camp operation.

Meyer began by saying that Salinas has grown strong at the expense of the drastic weakening of the oil workers union. "Ideally, to successfully compete in international markets, the new Mexican economy will require a labor organization like that which prevails in the majority of the *maquila* industry [the dirt-cheap labor in the runaway shops along the U.S. border] of the north of the country: that is, a non-unionized labor force, paid the most minimal of wages compatible with the needs for its survival and reproduction. Ideally, and following the suppositions of the economic model, Mexico's international competitiveness will increase if labor can be treated (by employers) as one more input, such as electricity, whose use can be increased or decreased at will, according to the company's daily needs. Since it is very difficult to eliminate from above a labor organization such as the Mexican one, the government's energy in this area appears to be directed toward restructuring it.

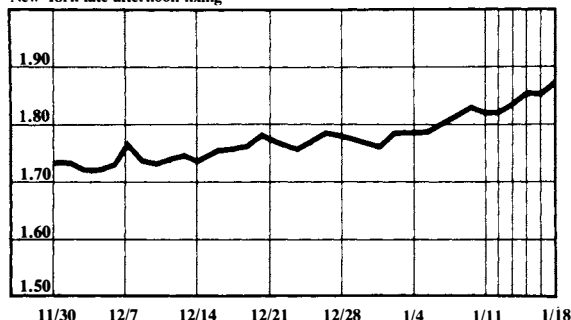
"So, the coup against La Quina and associates is the strongest hammer blow, but not the first, nor the last, that the presidential arm has delivered so far, given in the process of forging a new workers movement, compatible with the design of a Mexico that exports to the countries of the center, products that are relatively intensive in use of energy, raw materials and labor power, and use little capital and technology. . . .

"The new unionism must be politically and economically weak, so it cannot oppose personnel relocations or layoffs. It must not demand benefits beyond the minimum compatible with social peace. In the new scheme, the so-called 'aristocracy of labor' (of which the oil workers are the maximum expression) will have to suffer a destiny similar to that of the middle class: the radical reduction of its consumption and pretensions of improving their standard of living. This is an ineluctable demand for successfully joining economies such as the Mexican, into the present world system."

## Currency Rates

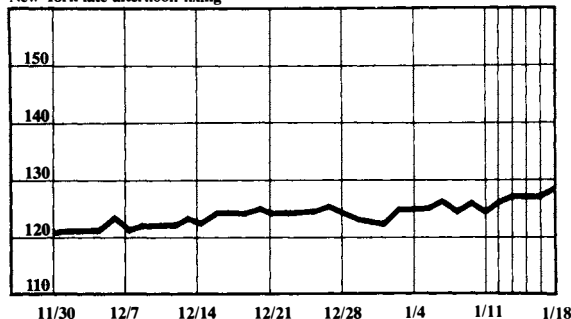
### The dollar in deutschemarks

New York late afternoon fixing



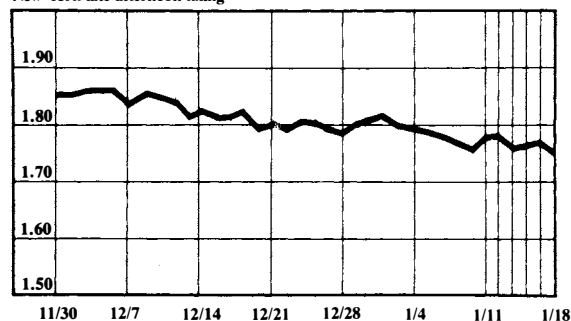
### The dollar in yen

New York late afternoon fixing



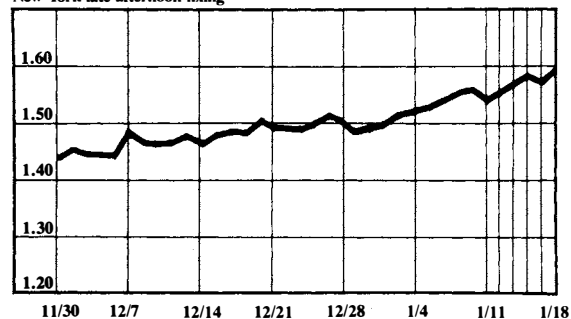
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



# Energy crisis rocks Argentina

by Cynthia Rush

Argentina, the nation which developed Ibero-America's first nuclear energy program in the 1950s, and boasted of a solid scientific and technological infrastructure, is now caught in a devastating energy crisis, which has thrown its fragile economy into chaos and threatens to unleash a health disaster as well.

The crisis, which has forced the government of President Raúl Alfonsín to impose six hours a day of energy blackouts, is a direct result of its slavish obedience to the policies of the International Monetary Fund over the past five years, and its willingness to put payment of its \$56 billion foreign debt above the welfare of its own people.

In early January, the government declared a national energy emergency, after several hydroelectric plants broke down. The Atucha I nuclear plant has been in and out of service since early last year, and is now nonfunctional. Over a period of years, the plant was not once shut down for maintenance, for lack of spare parts to service it. It is not expected to be back in service before June.

Government officials say "bad luck," lack of rain, and unexpected problems at the Atucha I plant have caused the crisis. Energy Minister Roberto Echarte has chastised Argentines for "wasting energy," and warned them to get used to reduced energy consumption. There is now discussion of establishing policing procedures, to find and punish those businesses or individuals who are greedily consuming too much energy.

The Peronist-run CGT trade union federation provided a more accurate view of the situation. In a Jan. 9 statement, CGT Secretary General Saúl Ubaldini warned that "the ominous burden of the foreign debt has led to the postponement of indispensable projects." The crisis, he said, "is the result of a negative economic policy, which assaults all workers." The labor leader reported that executives and workers from the energy sector had warned of an impending disaster months ago, unless the government made dramatic policy changes. Nothing was done.

Not only is daily life disrupted, but only 50% of residences in Buenos Aires, a city of 10 million, have potable water, since electricity shortages have shut down wells. It is estimated that only 30% of residences have sewage service. In Argentina's hot, humid summer this poses a major health threat. In Buenos Aires and in the interior provinces, hospitals and clinics are beginning to report cases of hepatitis A, dehydration, and diarrhea. Lack of energy and water is en-

dangering the lives of patients, especially small children and the elderly.

Energy rationing has forced businesses to close, and suspend workers. Officials have declared four-day weekends, and are reducing the work day. Spokesmen at the state electricity concern, Segba, say the nation is losing close to \$42 million daily.

## 'No problem here'

Argentina currently possesses a "hypothetical" installed capacity of 13,310 megawatts. The General Mosconi Energy Institute, run by former Energy Undersecretary Jorge Lapeña, says that the problem is "conjunctural, not structural," adding that there is no problem with obsolescence. However, of this total installed capacity, at least 4,600 MW are "indisposed," due to the obsolescence or collapse of infrastructure. Actual capacity is therefore 8,677 MW, against a total demand of 8,200 MW. Close to 50% of installed capacity doesn't work.

Alberto Costantini, former director of Argentina's National Atomic Energy Commission (CNEA), charges, "We are behind in investment, and this government has done nothing to improve on it, because it has maintained a monetarist policy." In 1985, Costantini resigned from CNEA to protest budget slashing.

The "book-balancing" mentality so admired by the IMF, which has dominated the Alfonsín government, can take credit for the following:

- Segba cut its maintenance budget by 50% in 1987. In 1985, Segba officials warned that at least \$200 million would be needed for maintenance for the rest of the decade. Only \$20 million has been made available to date.

- Sixty percent of Buenos Aires' underground cable network, for which Segba is responsible, is defective. The entire system is over 60 years old.

- Fifty percent of the country's thermal grid is inoperative. Since no new nuclear plants are expected on line before 1993, if then, consumer demand was to have been met by thermal plants.

Over the past decade, the budget for the CNEA has been cut by almost 70%. The \$780 million allocated by the Finance Ministry for 1988 guarantees that construction of the Atucha II nuclear plant, originally scheduled for completion in 1987, and the heavy-water industrial plant at Arroyito, will be in limbo. From the start, the budget allocated for these two projects was never enough to meet more than 60% of their costs.

The failure to complete the Arroyito heavy-water plant has forced the government to purchase heavy water from Canada and the People's Republic of China, at higher cost. Delays in these projects have increased their costs; builders must bear financing costs, while never making a profit since the plants are not operational. If Atucha II does get finished in 1993, the final cost will be more than double the original estimate.

## 'Summer Plan' for denationalization

*Creditor banks are making record profits from Brazil's debt service, as 60,000 more workers are laid off.*

The new austerity program just imposed on the Brazilian economy marks a terrible new phase in the looting of that country's natural and human resources. While the government of President José Sarney is carrying out a slash-and-burn policy toward the state-run sector, including massive layoffs, the international creditor banks are crowing about the profits which Brazilian debt service payments have enabled them to record in the last quarter of 1988.

On Jan. 15, President Sarney went on national Brazilian television to announce a series of measures which only differs from the Argentine "Spring Plan" by the season in which they were decreed. In his address, he insinuated for the first time the possibility of privatizing such strategic state companies as Petrobrás and Vale do Rio Doce, under the rubric of "democratizing the capital of these companies."

The announced measures of Sarney's new "Summer Plan" (it is now summer south of the Equator) include: a supposedly indefinite freeze on prices, a real wage freeze, maintaining "real" interest rates, the gradual layoff—beginning in February—of 60,000 public employees, elimination of half a dozen ministries, and a monetary reform to create a "new cruzado."

The first estimates prepared by labor institutions indicate that the wage gouge resulting from Sarney's new austerity plan will be on the order of 50%. For the minimum wage—one of Ibero-America's lowest—the imme-

diately reduction will be 10%. Supposedly, one of the prides of the Sarney government is that the minimum wage is being slowly raised.

According to the government authorities, the purpose of the new measures is to get the inflationary spiral—now approaching 35% a month and more than 1,500% a year—under some kind of control. But the government is really hoping that by somehow injecting yet another dose of morphine into the patient, it will gain time to reach the November 1989 presidential elections all in one piece.

However, since the fall of former Finance Minister Dilson Funaro in April 1987, the Sarney government has been systematically upping the austerity doses, and now a monstrous recession and denationalization of the economy is looming, which threatens to bring ever closer the possibility of an electoral victory for the pro-terrorist communists of the PT party, or of the PDT of social democrat Leonel Brizola.

The main author of the "Summer Plan" is the oligarch Octávio Guovêa de Bulhões, a self-declared malthusian and admirer of Hitler's Economics Minister Hjalmar Schacht. Guovêa de Bulhões represents the liberal economic school which came to power in Brazil during the sixties and has yet to be uprooted. One of his disciples, international vice-president of Citibank and former Brazilian Planning Minister Mario Henrique Simonsen, acknowledged the anti-growth nature of the "Summer Plan" when he told the

daily *Jornal do Brasil* Jan. 15, "I never saw a successful anti-inflation plan where a recessionary period did not exist."

Simonsen, who has little by little been taking control of the country's finances and is determined to see the Schachtian policy of "sky-high interest rates" maintained at all costs to guard the profits of the banking community for which he works, told *Jornal*, "If there is rigid control of monetary policy, interest rates must remain entirely free."

Simultaneous with the announcement of the Summer Plan, both President Sarney and his finance minister announced that steps would be taken to restructure the Brazilian foreign debt. Although threatening that a suspension of debt payments could be decreed if Brazilian reserves are not adequately beefed up with new credits, Minister Maílson da Nóbrega has repeatedly made it clear that any such moratorium would not be a threat against the banks, but a "Venezuela-style" measure, that is to say, a negotiating strategy with the creditor banks.

With such a step, Brazil would join the plan that social democratic President-elect of Venezuela Carlos Andrés Pérez has been coordinating with the Davos group of Swiss bankers, whose content is but a variation of the failed Baker Plan for rolling over the debt.

Thus, the Brazilian government has instructed its ambassador in Washington, Marcilio Marques Moreira, to begin negotiations with the bank advisory committee. The first result of said negotiations has been the Summer Plan, to guarantee the punctual payment of some \$12 billion a year in interest on the debt. Brazil obtained as a "concession" the suspension for one year of re-lending operations, which was to reach \$1.4 billion, according to the deal signed with the international banks last September.

## A lot of manure

*That's the best way to sum up the latest "New Age" scheme, known as "sustainable agriculture."*

Over the last two years, the "sustainable agriculture" perspective has moved from a back-burner issue into what you are supposed to believe is the leading edge of modern farming. The last session of Congress appropriated \$3.9 million—forget the budget deficit—to set up four regional research committees to prove the merits of sustainable agriculture.

Land grant universities in almost every leading farm state are now in the process of hosting conferences on sustainable agriculture. For example, in Columbus, Ohio on Sept. 19-23, 1988, an elaborate conference was held, organized by a group including Ohio State, Penn State, and North Carolina State universities, by a gaggle of private organic farming advocacy groups, by the U.S. Department of Agriculture, and by the World Bank.

The participation of that last entity is a giveaway to the whole swindle. It has been the policy of the world food cartel interests, and related banking agencies (the World Bank, the International Monetary Fund, and the mega-New York and European banks and family trusts) to attempt to restructure national economies—farm sectors, industry, local banking, health, and vital services—in ways to temporarily back up unpayable debts, by imposing ever more severe austerity.

In attempts to prevent effective opposition to these austerity policies, think tanks in the service of the banking and food cartel interests have concocted "thought control" campaigns to confuse and demoralize farmers,

industrial workers, businessmen, and others, to get them to submit to more and more austerity.

For the Third World, the euphemism of "appropriate agriculture" was promoted by World Bank circles, beginning at least 15 years ago, to rationalize the idea that so-called Third World farmers should use primitive farming methods, and engage in "traditional" back-breaking labor. They should not have modern technology—which the World Bank did not want them to have credit to build or obtain.

Similarly, the concept of sustainable agriculture was coined for use against farmers and the public in the "advanced economies." Sustainable agriculture is a pseudo-scientific justification for the practice of using little or no chemical fertilizers, modern equipment, and other high-technology farm methods, under the rationalization that low-input agriculture will be better for the soil, and the farm in general, in the long run.

The additional hook for the farmer, is that the sustainable agriculture rhetoric covers for the fact he or she no longer has the income to afford scientific farm management. The World Bank and IMF do not want U.S. farmers to politically demand the right to high-technology farming and decent incomes.

The think tanks promoting "alternative" and sustainable agriculture include the Washington-based Conservation Foundation, the New York Council on Foreign Relations, the Twentieth Century Fund—all part of the service industry for the interna-

tional food cartel interests.

The "appropriate agriculture" and "sustainable agriculture" hoaxes may rank among the most cynical mass snake-oil sales jobs ever to go down in history. Their purpose is to get farmers to "adjust" to the backwardness that is supposed to be their lot in life.

Taken on its own terms, "Low Input Sustainable Agriculture" (LISA) is absurd. Look at the fertilizer question. It is part of LISA dogma that crop growing should strive to reduce and eliminate the use of pesticides, herbicides, and chemical fertilizers, and to replace these energy inputs with higher inputs of labor, and "natural" organic minerals. Those who advocate this method assert it will reduce production costs, control soil erosion, and eliminate perceived pollution of underground water and food by chemicals.

In fact, the amount of nutrients taken up from the soil by crops must be replaced, or soil fertility will decline. But there is no net gain of nutrients when "organic sources" are used. Manure use merely transfers the minerals from one field to another, or one farm to another. Any exports of products from the farm deplete soil nutrients. The world's best organic recycling experts, the Chinese, have severe potash and phosphate deficiencies, because of long-term net export of nutrients from the Chinese farm.

The basic soil nutrients are nitrogen, phosphorus, and potassium. For U.S. farms to "go organic," manure would have to be spread several inches to a foot deep in most fields. The national odor would be impressive. The national dairy, beef, and hog numbers would have to increase 20-30 times their present size to provide enough droppings. Hauling these around alone would be a formidable task and would require a new transportation system.

## Progress in treating kidney failure

*Growing knowledge of the immune system is benefiting patients on dialysis and improving transplant prospects.*

**P**atients with kidney failure are continuing to benefit from our growing knowledge of the function of the immune system, not only in the more obvious area of improvements in renal transplantation, but also in our ability to deal with the impaired immunity of patients on chronic dialysis. Two articles in the Jan. 7 issue of the British medical journal *The Lancet* report on developments which affect both transplant and chronic dialysis patients.

Kidney failure is the end-product of numerous causes, but, once it occurs, there are only two treatment options, dialysis or transplantation. Regardless of the underlying cause of the loss of kidney function, the end-result is a condition known as the uremic syndrome. The uremic syndrome consists of signs and symptoms of impaired function of many systems of the body. This is because the primary function of the kidney is not simply to produce urine, but in fact to maintain the internal physiologic balance necessary to the optimum functioning of all systems.

One system which is particularly affected in renal failure is the immune system. To begin with, renal failure is associated with problems in what is known as cell-mediated immunity. This is the part of the immune system which is primarily affected in AIDS. As in AIDS, there are defects in both the number and function of cells, such as T-lymphocytes. In fact, the opportunistic infections which characterize AIDS, such as *Pneumocystis carinii* pneumonia, have been well known problems in dialysis and transplant pa-

tients for years.

In addition to the primary effects of uremia, the immune system can also be affected by the treatment of the uremia. In particular blood transfusions, either given for anemia or in the course of dialysis, can result in exposure to such agents as hepatitis virus or HIV, or can cause sensitization of the recipient to blood cell antigens resulting in rapid (hyperacute) rejection of a transplanted kidney.

Researchers from the renal unit of Dulwich Hospital and King's College Hospital Medical School in London published an article entitled "Removal of anti-HLA antibodies by extracorporeal immunoadsorption to enable renal transplantation" in the issue of *Lancet* cited above.

Anti-HLA antibodies are antibodies to tissue surface molecules (antigens) produced by a cluster of genes known as the major histocompatibility locus. The A and B antigens which determine the blood "type" are an example of such surface molecules. The antibodies themselves are molecules of a protein, immunoglobulin-G, which specifically react with the target molecule and which float around in the bloodstream, awaiting an opportunity to do their thing. In Britain, approximately 20-30% of patients awaiting kidney transplants have such antibodies, and since these antibodies are a major bar to receiving a transplant, this is a serious and growing problem.

If the level of circulating antibodies is reduced, and kept down, it is possible to have a successful transplant. The British team used a tech-

nique known as plasmapheresis in which blood is removed from a patient and the red cells and plasma are separated. The red cells are then returned to the patient, and the plasma is percolated through a column containing a substance which binds immunoglobulin-G. The treated plasma is then returned to the patient. To prevent re-synthesis of new antibodies, chemotherapy is given.

All nine patients in the study are alive, and seven have received transplants. Of these, five are functioning well and only one patient, who rejected his kidney, has had a serious infection.

In patients undergoing hemodialysis there is constant risk of exposure to hepatitis-B virus, and ultimately one-third of such patients will become chronic carriers of that virus. As such they are at risk of ultimately developing severe liver disease as well as a potential source of infection to other patients and workers in dialysis units. Thus they are prime candidates for prophylactic vaccination against hepatitis-B.

Unfortunately, many hemodialysis patients fail to mount an immune response to the vaccine. This defect results from failure of a group of cells, known as macrophages, to produce a chemical, interleukin-2, which activates a second group of cells involved in processing the vaccine. Now a group of West German researchers has shown that this defect can be overcome by administering low doses of interleukin-2, along with the vaccine.

Once again, knowledge and techniques developed in one area improve therapy in another area, and show the potential for improving the quality and quantity of life. It is ironic that such progress continues, despite an inadequate epistemology and the current virulent hostility to the very concept of progress.

# Business Briefs

## *'Europe 1992'*

### **EC demands Italy shut southern steel plant**

On Dec. 23, the European Community demanded that Italy close the Bagnoli steel smelting plant by June 30, 1989, as part of the deindustrialization of southern Italy foreseen under the "Europe 1992" plan.

Bagnoli is the third largest employer in Naples, after the Alfasud autoworks and the city itself; nearly 10,000 jobs depend on it directly or indirectly. Ironically, the plant is running in the black right now, although the "experts" predict that it will be running a deficit by the end of the year. If Bagnoli closes, Italy would only have the Taranto rolling-mill left.

The EC bureaucracy insists that Europe produces too much steel.

Backing the shutdown is an odd alliance between the right-wing Liberal Party, which wants to close it as an "anti-waste" measure, and the Greens and Radical Party, who cite environmental reasons and the region's potential for tourism.

Closing Bagnoli will strengthen the oldest local "industry," the Camorra, the Naples criminal organization. Perhaps not by chance, Radical Party leader Marco Pannella is campaigning for full legalization of all drugs, with the line that cocaine is safer than wine. The Camorra controls coca traffic between Italy and South America.

## *Corporate Strategy*

### **Defense industry takeover blocked**

A hotly contested attempt to reorganize the European electronics and defense industry has been blocked for the moment.

The British General Electric Company (no relation to the U.S. firm) and West Germany's Siemens Co. have been engaged in a hostile takeover attempt against Britain's Plessey PLC. But the \$3 billion takeover,

which would create one of the world's most formidable electronics and defense conglomerates, has been temporarily blocked by the regulatory authorities of Britain and the European Community in Brussels.

GEC-Siemens currently holds 15% of Plessey PLC.

Investment bankers Lazard Brothers of London has launched a counterattack against the GEC-Siemens group by financing a consortium including Plessey in an attempt to takeover GEC itself.

In Brussels, the new EC Commissioner for Competition, Thatcher appointee Sir Leon Brittan, has stated that the Plessey takeover bid by GEC-Siemens warranted a full investigation of violations of EC competition rules under the Treaty of Rome.

## *Banking*

### **Warn of thrift institution 'meltdown'**

The assessment that the nation's savings and loans are in a "meltdown" is "essentially correct," Sen. Don Riegle (D-Mich.), incoming chairman of the Senate Banking Committee, said on the "Meet the Press" television program Jan. 15.

Riegle argued that there must be some "basic structural changes" in the S&L system so that a bailout today doesn't lead to a greater problem five years from now. He said that the system's "primary focus should be home mortgage lending" to "protect housing development."

Riegle said that it "could be the case" that the public was robbed blind in the wave of S&L takeovers during December. His requests for information on the takeovers was not provided, and he has therefore asked the General Accounting Office to do an audit, the results of which will be reported to his committee's hearing on Feb. 2.

Federal Deposit Insurance Corporation chairman William Seidman said the cost of the S&L problem is now projected at \$85-\$105 billion, \$30-\$40 billion being required up front to deal with S&Ls which are now losing about \$13 billion a year. The other

problem S&Ls, he said, can be dealt with in the following two years.

## *North Africa*

### **France opens credit line to Algiers**

The French government has opened up a 700 million franc credit line (about \$115 million) to Algeria under an agreement signed Jan. 10 between the two governments. The credit line, aimed at helping Algeria overcome its social and economic crisis, is part of a package which also ends several years of dispute over the issue of Algerian gas, which French industrialists have thought overpriced.

Nonetheless, because of the Algerian situation, a high price has been agreed upon, though this may mean less gas purchased by France. To make up for it, Paris is reportedly negotiating to buy Iranian gas, whose export—through the Soviet Union—is expected to be resumed soon.

According to French officials quoted in the media, the bulk of the Franco-Algerian credit is aimed at getting the Algerians to buy French agricultural products and "end Algerian dependency on American wheat." The United States has been Algeria's main grain supplier for the past decade.

## *Industry*

### **Foreign investment declines in Korea**

Foreigners invested \$595 million in 222 Korean firms during the first 10 months of 1988, the South Korea's Trade and Industry Ministry has announced.

The figures represent a 19% decline in investment money and a 14.2% drop in the number of firms compared with the same period last year.

The decline of foreign investment in the



manufacturing sector was attributed to wage increases following labor disputes and the sharp rise in the Korean currency's value, according to the ministry's analysis. Another major factor was the improved technology of Korean manufacturing firms.

Investments went into 38 chemical firms, compared with 43 a year earlier, 55 electronics and electrical firms, compared with 77 last year, and 77 machinery and metal firms, compared with 85 last year.

However, foreign investment rose sharply in the non-manufacturing sector, such as hotels, insurance firms, transportation firms, and restaurants. Foreign investment rose 52.9% in 52 firms, and in terms of money invested, rose 293.7% to \$539 million.

## Israel

### Is political move behind Koor liquidation?

A rapid collapse of Israel's economy, which saw a devaluation of the shekel at the end of December, severe capital flight, and a harsh austerity program instituted on Jan. 7, is being aggravated by American banks' attack on Koor Industries.

Bankers Trust and others are seeking the liquidation of Israel's largest industrial concern, owned by the Histadrut trade union federation, which employs 30,000 workers. Given a respite from creditors' demands for a few weeks, Koor is now expected to be liquidated in February.

Israeli sources report that the drive of the American banks is straightforward political blackmail by the U.S. administration to keep Israel under political control. Ultimately, the aim is to force the privatization of most Israeli government- and trade union-owned industrial concerns. However, these Israeli sources also stress that Washington is fully aware that it is playing a very dangerous game.

The layoff of 30,000 workers would create an unprecedented social and political crisis in the country, exactly the kind of crisis which could lead any government to war.

Not to be overlooked either is the way Israel will be affected by the crisis in Mexico, created with the arrests of the oil workers union leadership, a prelude to privatization of Mexico's oil industry. In 1988, Mexico exported up to \$6 billion worth of oil to Israel.

## U.S. Budget

### Darman admits plan to gouge defense

Richard Darman, President-elect George Bush's nominee for director of the Office of Management and Budget, admitted before confirmation hearings Jan. 19 that he was an advocate of a Gramm-Rudman sequestration of funds to lower the budget deficit, even if this would, as he conceded, have a disastrous effect on defense outlays.

He said this course of action would be preferred over congressional action to alter the Gramm-Rudman target, because, he said, the latter course "would have a very negative effect on the financial markets."

Just prior to his testimony, Darman was seen reading in its entirety of the testimony submitted to the Senate Governmental Affairs Committee by the National Democratic Policy Committee, representing the LaRouche wing of the Democratic Party, urging that it reject him here today. Darman was facing his first day of confirmation hearings before the Comhis nomination be rejected. Copies were distributed on the press tables in the hearing room. Reporters snatched up the copies immediately, seeing that they were "from LaRouche."

As soon as Darman appeared in the room, one reporter ran up to him with the NDPC statement, and asked him to comment. Darman stood at the witness table and took a few minutes to read it, before folding it and putting it in his briefcase, and making an inaudible comment.

The testimony charged him with exactly that which he admitted in his subsequent testimony, that his policies would have a disastrous effect on the U.S. defense budget and military preparedness.

● **THE U.S. FEDERAL Reserve** has decided to allow commercial banks to underwrite a certain amount of corporate debt, thus adding to those banks' already-burgeoning "off-balance-sheet liabilities." However, the Fed has a deferred for a year a decision to let banks fully encroach on the securities business by underwriting stocks.

● **JAPAN'S** global trade surplus grew to a record level in December 1988, and although its trade surplus with the United States fell 8.8% for the year, in December it registered a second consecutive month of growth. A Foreign Ministry official said of the figures, "What we have done" to reduce the surplus "is on the right track, and hopefully other countries won't resort to protectionist measures."

● **ROCKWELL** International agreed to plead guilty to charges, including one of conspiracy and one of contempt, relating to a double-billing of the Air Force on one of its contracts. The company could face a \$500,000 fine on the conspiracy count, and an unlimited fine on the contempt count.

● **OIL PRODUCTION** in the United States hit a 24-year low in 1988, averaging about 8.1 million barrels per day. Imports, meanwhile, accounted for about 7.2 million barrels per day, almost half of total consumption.

● **DEFENSE** and Overseas Development Assistance will be the main growth items in the Japanese government's budget for the new fiscal year beginning April 1, 1989. The budget was announced on Jan. 18. Defense spending will increase 6% and development assistance 7% over current outlays. This will make Japan the world's largest foreign aid donor and second only to the United States in defense spending among non-communist nations.

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## Soviet pseudo-science could cause World War III

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*The most dangerous side of Gorbachov's thinking is seen in academician Moiseyev's treatment of Vernadsky. An analysis released on Jan. 9 by Lyndon H. LaRouche, Jr.*

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In the medium term, the question, whether a more durable war-avoidance can be negotiated with Moscow, depends on whether Moscow perceives a certain freemasonic crowd in London, or a different combination in Washington as its principal long-range discussion-partner in the West. The irony is, that despite the fact that the Londoners of the Anglo-Soviet "Trust" are the most shameless appeasers of Moscow during the very near term, it is the policies of that same London crowd which are most likely to provoke Moscow to general war during the slightly longer period.

In that light, M.S. Gorbachov's December 1988 appearance in New York, while presenting a very dangerous Soviet policy in the main, is also being examined for a second, possibly contradictory signal. The neo-malthusian globalism of Gorbachov's U.N.O. General Assembly address, presents the worst option.

The reasoning on the possibly contradictory signal goes like this: Not only Soviet-occupied Eastern Europe and Yugoslavia, but the Soviet economy itself, are in a terrible crisis, with the situation deteriorating rapidly in the direction of a physical breakdown of the Soviet and Comecon economies. These economic developments, interacting with the unsettling effects of *glasnost* and *perestroika*, have unleashed a spiraling array of social and political instabilities throughout the region.

This is very dangerous for the world as a whole. Here, we have the Soviet empire, arming in preparation for possible post-1991 first-strike military actions against Western Europe and the United States. Although Soviet war readiness is not expected earlier than 1991, Moscow has already a com-

manding margin of advantage in military offensive potential. Although extremely powerful outwardly, this same Soviet empire is at the verge of internal economic collapse and deepening and spreading social crisis. One is reminded of Nikita Khrushchov's wild adventurism of the early 1960s; the pressures on Gorbachov now are far worse than those on Khrushchov then.

If the internal crisis becomes unbearable, will that set Moscow into wildly adventurous "flight forward" actions?

The idea that Moscow represents "peace-loving Soviet peoples," is nonsense that only silly Quakers might believe. For the Soviet rulers, a state of actual peace between Moscow and the West is unthinkable. For Moscow, the choice is simply a matter of deciding whether or not to have a war; "peace," as most in the West define the term, does not exist in their dictionaries. The only practical question at any given point in time, is whether Moscow were more likely to choose war, or prefer a temporary state of non-war.

On the issues of war, Moscow is the nation of the abacus. Under anything but the most desperate conditions, the choice between war and non-war is a matter of calculation in the crudest sense of the term. However, that is not true under all circumstances. What if Moscow "goes ape"? What then?

Two conditions are likely to send Moscow "ape": either, the perception of imminent attack on *Rodina*, or an insoluble internal crisis threatening the very existence of the Soviet empire. Thus, the presently worsening Soviet economic crisis becomes the principal source of threat of world war during the years immediately ahead.

If Moscow chooses the neo-malthusian globalism fea-

tured in Gorbachov's December U.N.O. address, the early physical breakdown of the Soviet economy is now pre-assured. In that variant, a general world war, or something equally awful, is virtually assured for some time in the 1990s, perhaps on the early side of the coming decade.

Moscow's choice of neo-malthusian globalism indicates the freemasonic London friends of Armand Hammer as Moscow's preferred discussion partner in the West.

The alternative for Moscow, is a switch, away from neo-malthusianism, to what used to be termed "American methods": until the U.S.'s neo-malthusian "cultural paradigm-shift" of 20-odd years ago. Unless Moscow makes that switch, general war becomes the likely variant of the 1990s. If it switches away from neo-malthusian "globalism," Moscow's preferred discussion-partners in the West are Washington, Paris-Bonn, and Tokyo.

It is in that context, that we examine a rather important Soviet item, dredged out of *EIR*'s files from a year ago. The piece was featured in the February 1988 issue (No. 7) of Moscow's *New Times*. Its title is "Science and Ethics." Its author was the same Nikita Moiseyev of the Soviet Academy of Sciences who co-authored the pseudo-scientific Soviet "Nuclear Winter" hoax peddled to the credulous inside the U.S.A. Moiseyev is also tied to one of the nastier of the globalist brainwashing operations, the Brundtland World Commission on Environment and Development.

Moiseyev, like the influential Moscow malthusian Ivan Frolov, typifies the most dangerous side of Gorbachov's current thinking. If his view prevails in Moscow, as Gorbachov's referenced U.N.O. address strongly suggests will be the case, then this world is headed toward general war during the 1990s.

The remainder of this report examines several exemplary features of that *New Times* piece, including some interesting, contradictory features included. These points are addressed both to show what awfully anti-scientific gibberish the Soviet globalists are putting forward as proposed policy, but also to identify the great potential value of some of the topics of research which Moiseyev mistreats so abominably.

### **Making up facts as he speaks**

The piece opens with the following atrocity:

Sometimes I envy the ancient Greeks, who believed that they lived in an integral world, and did not seek to control it.

as if the colonization of Magna Graecia, the Delian League, and the Academy of Athens's preplanning Alexander the Great's conquest of the Persian Empire had not occurred. The paragraph continues with more such myth-making:

Their world was ruled by beautiful gods, who were well disposed toward mortal man and often mixed with them on equal terms.

Those gods of Olympus were the most murderous and degenerate collection of arrogant scoundrels of Europe, until the later orgies of the Roman emperors, or the tradition of rapine and murder which masked Venetians perpetrated upon one another as nocturnal Orphic recreations. The Hell-Fire Clubs of the British upper classes' degenerates also come to mind.

For centuries, well-balanced ancient Greek culture stimulated the progress of civilization and no other mythology meant more to Christianity than that of ancient Greece, which pictures the Earth, cosmos, and man as an integral whole.

Moiseyev has confused "Christianity" with the teachings of the so-called Gnostic bible.

That opening paragraph sets the tone of scholarship pervading what follows. For example:

In the Middle Ages, the rigid formulation of ideas into an established canon of beliefs impeded the development of European culture, which all but fossilized. The Renaissance, the revival of the ideas of antiquity, which seemed to have sunk into oblivion never to return, proved that links with them had never been broken.

Muscovites do not need to study history; they simply make purely imaginary historical "facts" as they speak and write. He continues:

The new philosophy brought with it a breakthrough in science in the age of Newton, Copernicus and Galileo.

Pause to examine that briefly; historically and scientifically, Moiseyev's last statement is pure fraud; but, there is a madness in his method of lying. It is useful to examine this before proceeding to the main portion of his argument.

Contrary to Moiseyev's fiction-writing, the leading intellectual figures of Renaissance mathematical physics are exemplified by Toscanelli, Brunelleschi, Alberti, Nicolaus of Cusa, and Leonardo da Vinci. The work of these fifteenth-century giants of modern science was centered on the starting-point of Plato and Archimedes. Cusa effected a revolution in mathematics, a constructive form of non-Euclidean geometry (without axioms and postulates), in opposition to the deductive methods of those Paris neo-Aristotelians against whose influence Thomas Aquinas had fought.

The direct continuation of this method of Renaissance science is typified by the work of Kepler and England's William Gilbert, and by Kepler, Desargues, Fermat, Pascal, Huygens, and Leibniz on the continent of seventeenth-century Europe. This current in physics was continued into the eighteenth and nineteenth centuries by such as the Bernouillis, Euler, the circles of Gaspard Monge and Lazare Carnot, and into the nineteenth century by the circles of

Alexander von Humboldt and Gauss.

Galileo and Newton are the antithesis of the Renaissance.

At the beginning of the seventeenth century, an anti-Renaissance current arose in physics, typified by such avowed adversaries of Gilbert, Kepler, Desargues, et al., as Francis Bacon, Galileo, Descartes, and Newton. The fierce controversies between the circles of Leibniz and the followers of Descartes, continuing through the bitter battles between Monge and Laplace, and the attacks on German science by Kelvin, Clausius, Helmholtz, and Maxwell, underscore the fundamental opposition between the two factions.

Galileo and Newton do not represent the "new philosophy" of the Renaissance; these figures are prominent in the internal history of science as avowedly, and actually, the direct opposite of the Renaissance on every imaginable issue of philosophy in general and physical science in particular.

Moiseyev's fraudulent historical excursions are leading up to something. He is about to rewrite Soviet history in the following paragraphs, yet once more. First, he has a few more hoaxes on the general history of science to advance:

After Copernicus had worked out his heliocentric system in which the planets revolved around the Sun. . . .

Only a century later did Kepler discover new laws of celestial mechanics.

Moiseyev's misrepresentation of Kepler is intentionally fraudulent. The motives become obvious, once our attention is turned to the core of the *New Times* piece.

The putative theme of that piece is the work of a leading Russian scientist, Professor V.I. Vernadsky (1863-1945). During the middle 1920s, Vernadsky launched the Soviet efforts to develop the nuclear-fission reaction as the future source of power for the economy, headed up Stalin's 1940 "Atom Project," the project which produced the Soviet H-bomb under Kurchatov. Vernadsky is otherwise among the most important twentieth-century scientists, in the development of optical biophysics; his emphasis on the importance of the physics of Bernhard Riemann in biophysics, spilled over in the Soviet use of Riemann's 1859 paper "On the Propagation of Plane Air Waves of Finite Magnitude" as key to the achievement of isentropic compression in the detonation of an H-bomb.

Despite the fact that Vernadsky has been the most impressive figure in the history of Soviet science to date, he was often reduced to almost the status of an official non-person, during extended periods until now. Under Gorbachov, the name of Vernadsky has been brought to the fore again: not the real Vernadsky, the father of the Soviet nuclear bomb, and grandfather of the Soviet H-bomb, but a wild-eyed Gnostic neo-malthusian.

The International Council of Scientific Unions has undertaken a large-scale project, featuring centrally this portrayal of Vernadsky as such a malthusian mystic. In January

1988, a leading observer had the following comment on the background to the Moiseyev *New Times* piece:

The International Council of Scientific Unions, which is a U.N.O. NGO [non-governmental organization] based in Paris, has launched a major new research program, on Global Change, to look at the interrelated bio-chemical processes that govern the earth. The project derives from Vernadsky's writings. Without question, it will be the largest international scientific exercise ever undertaken, in terms of attention from the scientific community, as well as from political circles. It will be discussed at the next Commonwealth meeting, and was even mentioned in the Reagan-Gorbachov final communiqué, as a good opportunity for bilateral cooperation.

The next official event will be in October [1988], in Stockholm, which will really launch the project in a big way, into the 1990s. An international committee has been formed to establish this, and it will meet next month at Harvard, from Feb. 8-11 [1988], to plan the whole thing out. . . .

The number of international research projects being undertaken is unprecedented. Much bigger than the International Geophysical Year of 1959-60, and much bigger than the International Biology Program. It is far larger. It was initiated by several American scientists.

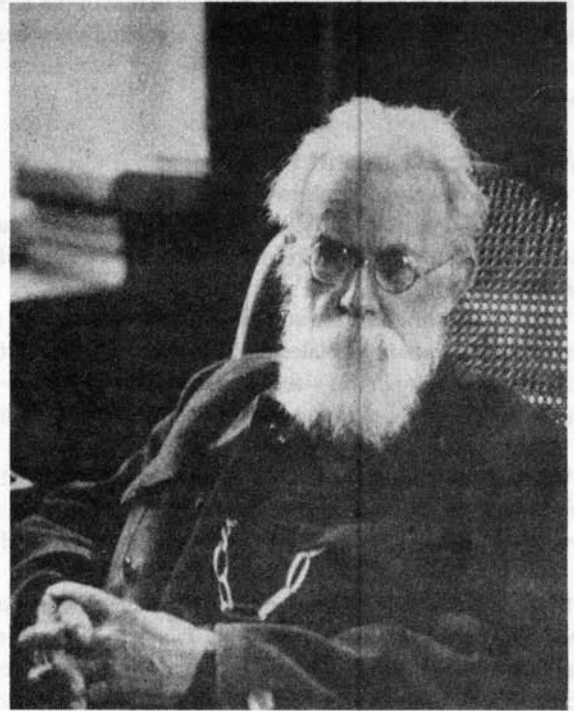
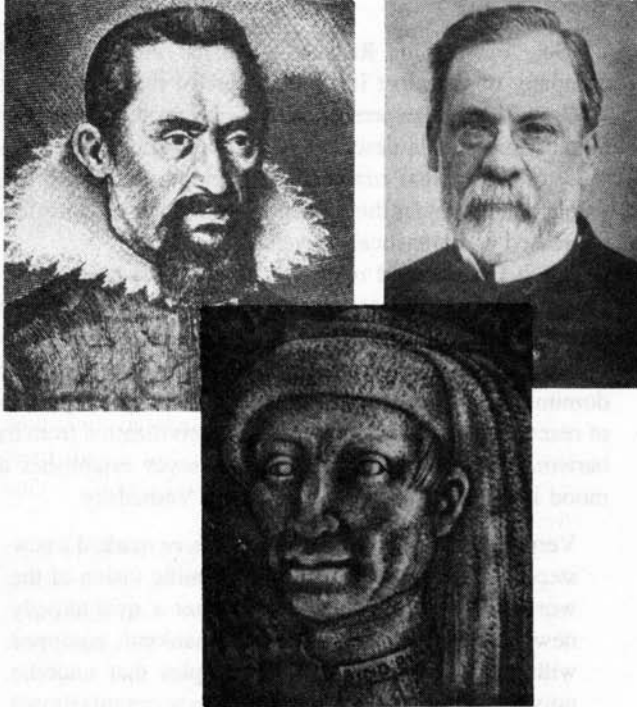
What that observer described is known as the *International Geosphere-Biosphere Project* (IGBP). The project was put into operation in December 1987, at Harvard University, by a meeting of the steering committee of the IGBP. The meeting was headed by William Clark of the Soviet KGB-linked, Laxenberg, Austria, International Institute for Applied Systems Analysis (IIASA), and Thomas Rothwald of the Swedish Academy of Sciences.

Nikita Moiseyev of the Soviet Academy of Sciences, has been a key figure in this project, as well as the fabrication of the "Nuclear Winter" hoax. His featured piece in the February 1988 *New Times* was an official Soviet "signal piece," prefiguring the neo-malthusian "globalist" policies set forth in the referenced Gorbachov address to the U.N.O., and reflected in both the present Jan. 7-11 Paris "chemical weapons" conference, and the U.S. threats to bomb a Libya chemical plant.

To transform Vernadsky from a scientist into a malthusian idiot, it was necessary for the Soviets to make certain "adjustments" to the truth. Moiseyev's fictional representation of the history of science, the treatment of Kepler most notably, is arguably more or less indispensable to represent Vernadsky in the way the ideologues of the IGBP "Vernadsky Project," and Gorbachov's neo-malthusians require.

By aid of such means as Moiseyev's hoax, world wars are prepared. Bit by bit, the "belief structures" of leading

## The real tradition of Renaissance science



*Contrary to Moiseyev's fiction-writing, Soviet scientist V.I. Vernadsky (far right) drew upon the tradition in science that includes (clockwise, from top left) Johannes Kepler, Louis Pasteur, and Filippo Brunelleschi.*

institutions and popular opinion are altered. A hoax popularized here, another hoax popularized there, gradually change what institutions and sundry localized majorities of popular opinion believe. So the monstrous folly called World War I was already being prepared, in terms of shifts of attitudes "about this and that," during the late 1890s and first decade of this century. Then, a succession of slight, gradual adjustments in ideological perception, on sundry, diverse scientific and cultural matters, among others, reshaped attitudes in various parts of Europe and North America. By the time 1912-14 arrived, the beliefs of nations and their governments had been modified to the effect, that once the choice was presented, World War I was the inevitable reaction.

For reasons we have identified above, if neo-malthusian globalism is institutionalized through aid of supragovernmental powers entrusted to the U.N.O. Security Council, as the current Paris conference proposes, that globalist malthusianism will be institutionalized to the degree that it becomes impossible to shift world economic policy in ways needed to arrest the ongoing internal collapse of the Soviet economy. In that case, a spectrum of conditions and issues exists worldwide, intersecting the growing desperation inside the Soviet empire, thus making World War III or some-

thing like it inevitable at some point during the 1990s, perhaps early during the 1990s.

In the kind of bit-by-bit mass-brainwashing exercises we have indicated as leading into World War I, the folly toward which society is being steered were always readily shown to be a great folly by attention to a few relevant lessons from history. Without a great deal of falsification of the account of history, the follies in question were in jeopardy. Hence, certain specific falsifications of history were usually integral features and portents of a coming great war, or kindred great folly.

So, insofar as lunacy on matters of science is part of such mass-brainwashing, the history of science must be falsified. So, Vernadsky is transformed into a malthusian Gnostic for purposes of state and international agreements; since the policies of governments and related institutions demand that such a hoax be inserted into prevailing "belief structures" of institutions and popular majorities, the history of science must be rewritten to the extent a false representation of Vernadsky requires that.

Hence, hoaxster Moiseyev's lunatic rantings on the subject of the history of modern science. Hence, the absurd representation of the work of Kepler in particular. If Vernadsky's leading interests in optical biophysics are viewed

from the vantage point of what Kepler actually and implicitly accomplished, a picture directly opposite to that of the IGBP mass-brainwashing project appears. The corrected view bears in an important way upon the options for avoidance of general war.

### 'What he really meant to say'

Not infrequently, the following scenario unfolds:

A person—let us identify him as Mr. X—rises to speak, avowing himself the advocate of a very clear opinion. He completes his statement, and sits down.

There is a hubbub in the audience. On this occasion, as on many others, sooner or later in the course of the ensuing discussion, another person—let us identify this as Mr. Y—arises to speak, purportedly to clarify the discussion: "What Mr. X really meant to say, is. . . ."

What Mr. X said, and what Mr. Y purports Mr. X "really meant," have no resemblance to one another, at least not in the views of those who remember exactly what Mr. X did say.

In this case, Mr. Y is Academician Moiseyev, who rises from the pages of February 1988 *New Times* to edify us on the matter of "what Vernadsky really meant to say." Moiseyev proceeds as follows. He begins with this broad observation:

At the end of this last century, there emerged a trend in science known as "Russian Cosmism," which had

a formative influence on many future outstanding Russian scientists, Vernadsky and Tsiolkovsky in particular. Cosmism is a school of thought according to which man and nature are one, and thought is a phenomenon as material as planets, outer space, and life on Earth.

So, "outstanding Russian scientists" are placed in the company of the most lurid adherents of that curious form of Gnostic belief expressed as Russian mystical occultism. What Moiseyev is describing fairly enough, is the worldview of the typical *raskolnik*, a blending of pre-Christian pagan beliefs, under the influence of the form of Gnosticism expressed as monastical hesychasm.

Such Gnostic and related beliefs are the correlative of all of those movements which converge upon malthusian anti-science fanaticism in the history of Western civilization. Gnosticism rejects the injunction of Genesis respecting man's dominion over nature, thus attacking directly the principle of reason which distinguishes Western civilization from barbarism. Thus, with that passage, Moiseyev establishes the mood in which he proposes to situate Vernadsky.

Vernadsky's teaching on the *Noosphere* marked a new step in the development of the scientific vision of the world. By the Noosphere, *he meant* a qualitatively new state of the biosphere, with mankind, equipped with the knowledge of the principles that underlie universal development, creating a new organizational

## 'Western Christianity to blame for ecology crisis'

The Russian Orthodox Church blames Christianity and the Renaissance for today's ecological crises. That is the theme of an article in the English-language edition of the *Journal of the Moscow Patriarchate* (No. 11, 1988), run under the title, "Modern Ecological Crisis in Light of the Bible and Christian World View."

The Russian church is not truly Christian, but subscribes to a brand of pagan gnosticism centered on the holy soil of Great Mother Russia. However, since the Russian church *claims* to be Christian, the article's contention is that it is not Christianity "as such," but rather the Western interpretation of it, which is to blame for the ecological crisis.

"Why, however, as facts show, have the forces which have caused the ecological crisis risen mainly in the West, which had long ago been enlightened by Christian teaching? . . . The idea of subjugating Nature . . . was closely

bound up with the spread in the West of the utopian notion of getting rid of real difficulties in life by building a 'paradise on Earth' outside of or against God, with the aid of the magical and alchemical teachings of the Renaissance, which claim to give power over the natural world and men.

"The rapid development of natural sciences in the West is explained by the difference in the attitude of Christianity to Nature in the Greek East and in the Latin West. The Byzantines perceived Nature as a system of symbols with the help of which God opened slightly to men His omnipotence and goodness. . . . The over-exaggeration of man's might and the distorted perspective of his position in the world, characteristic of the West, were long ago noticed by European thinkers and condemned by them."

Later, the author comments that Western development is characterized by "the growth of population, urbanization, the rise in living standards, the increase in requirements, and the liberalization of society. Consequently, the ecological crisis can be observed everywhere that the Western style of life has become rooted, with its stimulated consumption, social organization and production, science, and technology, aimed at subjugating Nature."

social structure scientifically correlated with the laws of evolution and social progress [emphasis added].

So, we have what Mr. Y—Moiseyev—purports that Mr. X—Vernadsky—really “meant” to say.

What Moiseyev says is very *delphic*. He parodies phrases which seem to correspond to what Vernadsky actually represented, but in such a way that what comes out as the final result of the statement, is something which Vernadsky opposed.

The aspect of Vernadsky’s actual work which corresponds to Moiseyev’s purported reading of it, was by no means original to Vernadsky, nor in any way specifically a Russian “cosmist” view. The positive features of Vernadsky’s work on living processes were given their original currency by, specifically, Cardinal Nicolaus of Cusa. These conceptions, first discovered and presented in an intelligible sort of scientific representation by Cusa, prompted the definitions of the quantizable distinctions between living and non-living processes later elaborated by Leonardo da Vinci and his circles. The combined work of Cusa and Leonardo and his circle on this subject, was the principal influence upon the work of Kepler, and forms the central feature of Kepler’s work.

This aspect of Kepler’s work was developed further, most significantly, as a central feature of the work of Leibniz. The generalization of this appeared in the work of Bernhard Riemann. Vernadsky’s scientific contributions have debatable features, but none of those are less than interesting, and most are either valid or at least more or less fruitfully provocative. For this, Vernadsky was indebted chiefly to two sources, his education by the institutions of Louis Pasteur, and his study of the work of Riemann.

There is an historical aspect to Vernadsky’s work which is more less distinctively Russian.

By the time Vernadsky returned to Bolshevik Russia, from France, the Versailles Treaty was in force. Specifically, German science was being suppressed, more or less as French science was being suppressed after the 1815 Treaty of Vienna, then by such creatures as Laplace and Cauchy. This circumstance coincided with the rise of a form of molecular biology opposite to the methods of Louis Pasteur’s emphasis upon optical activity of living processes. Vernadsky arrived so in a Bolshevik nation, whose economy was a shambles, and in which qualified scientists were such a rarity, that for a time the Soviet state did everything to encourage the work of the few promising scientific workers on hand.

So, the young Soviet state represented a most anomalous setting for scientific work. On the one side, it was most poorly equipped, and Soviet ideologues tended to demand of the scientists that everything done be construed as vindication of the absurd notions of Friedrich Engels. Yet, Bolsheviks such as Lenin and others, and even Stalin on occasion, understood that if Moscow wished to have the advantages of science, it must allow a certain “ideological”

latitude to its scientists, at least in their work as scientists.

In this circumstance, Vernadsky had the relatively widest latitude meagre resources allowed during the mid-1920s, and whenever he was back in favor at later points. He was without doubt a gifted, well-educated, energetic, and prolific scientific personality; however, his apparent originality in certain matters is easily exaggerated. Under the anomalous circumstances for scientific work in the Soviet Union of the 1920s and 1930s, he had a latitude for pursuing certain lines of inquiry which had been all but cut off in most Western nations.

The direct line of continuity from Cusa through Kepler and Leibniz into the nineteenth-century achievements of Riemann and Pasteur, is the resource which Vernadsky carried with him, back into his work in Soviet Russia of the 1920s through 1940s. On this account, Moiseyev’s falsification of Kepler’s sources and pivotal position in the history of physics is a crucial, and delphic misrepresentation of Vernadsky.

### The crucial points

Immediately following the passage last referenced above, the *New Times* piece lists a series of points which are either accurate as statements of fact, or near enough to truth that the mistakes would earn Moiseyev no worse than a passing grade.

- 1) Today, astrophysics and physics have accumulated a sufficient body of knowledge about the development of the universe for us to be able to conclude that we inhabit a colossal system which is never in equilibrium, but is continuously evolving . . .

That far, a fair statement, which is greatly spoiled by the appended:

- by virtue of a constant exchange of energy and matter between its constituents.
- 2) From all the processes described here, nevertheless we know that matter always tends toward greater complexity.

That observation is crucial, and a fair, if crude description of an extremely important point.

- 3) If we work on the assumption that life is a cosmic phase of the development of nature, then life on Earth emerged as a result of the increasing complexity of . . .

So far so good, but the appended conclusion of that statement:

molecular structure.

is flatly wrong. True, the emergence of higher forms of life is associated with an increasing complexity of molecular structure, but this increase is the result of, not the cause of the process by which such increasing molecular complexity is effected. He turns next to:

## Moscow's heroes: the antithesis of Renaissance science



*To transform Vernadsky from a scientist into a malthusian idiot, it was necessary for the Soviets to make certain "adjustments" to the truth. Moiseyev falsely locates Vernadsky's historical tradition in such figures as (left to right) René Descartes, Immanuel Kant, Galileo Galilei, and Isaac Newton.*

4) The phenomenon of living matter's optical activity, discovered simultaneously by Louis Pasteur and Pierre Curie, consists in living matter polarizing light.

There are various flaws of fact and representation included in that statement, but the emphasis on optical activity as characteristic of living processes as living processes, is of crucial importance, and bears most significantly on the best related work of Vernadsky and Gurvich.

Skip to a passage a slight space beyond the last cited. There is much speciousness in Moiseyev's argument here, but the subject he addresses is a very important one:

5) Vernadsky's hypothesis comes down to the assumption that the transition to the age of the Noosphere will be a switch to an entirely new terrestrial state, with the Earth's further development determined by collective reason and joint efforts by society.

That portion of the statement is problematic, and rife with New Age mystical occultism, but it is important because it is introduced as a setting for the appended observation:

Unless this happens, mankind will degenerate. We must make such a leap, otherwise society will cease to develop.

On the subject of the five points just identified, Moscow is reacting very strongly, and plainly to the influence of one Lyndon H. LaRouche, Jr.; the view of the context of Vernadsky's work offered by Moiseyev on these points is a Soviet sort of delphic version of "vintage LaRouche." Inference from circumstantial evidence would be superfluous; during the late 1970s, the Soviet Academy of Science undertook a special study of the relevant work of LaRouche, including review of LaRouche's emphasis on the importance of reexamining the work of Vernadsky.

There were two specific topics of LaRouche's work taken under study by the Soviet Academy of Sciences: the LaRouche-Riemann Method in physical economy, and the outgrowths of a 1973-74 study of aspects of the application of the LaRouche-Riemann method to mapping of the processes of the biosphere. The Academy and related Soviet channels also received a pleading that the contributions of Vernadsky be reexamined for possible new benefits, in the light of the work of LaRouche and his associates.

Since the LaRouche-Riemann method's application to matters of physical economy can not be separated in principle from the application of the same method to matters of the biosphere, the points under consideration, in connection with the Moiseyev treatment of Vernadsky can not be separated



from the question of the ongoing physical breakdown of the Soviet economy, or from the global nightmare which a continuing such breakdown must tend to prompt. The linkage will be treated in the conclusion of this report. Prior to that point, the examination of the Vernadsky matter as such should be read with a view to the implicit bearing on the economic-strategic matters addressed directly in the conclusion.

There are certain "ID" features among the five points from Moiseyev's piece just referenced, which coincide with matters received for study by the Soviet Academy. We restate those features of the five points in terms of their LaRouche form.

1) The view of the universe, as ruled by a principle of universal entropy ("Second Law of Thermodynamics"), is false. Kepler implicitly proved, that the characteristic curvature of physical space-time defines a universe which is governed solely by a universal principle of *negentropy*.

The LaRouche definition of *negentropy* is: those processes whose development and resulting morphology of function are defined by harmonic orderings congruent with the Golden Section. As Leonardo da Vinci and his circle were first to prove, all living processes are characterized by such harmonics, whereas non-living processes (between the extremes of scale of astrophysics and microphysics) are not. This principle is the central feature of Kepler's physics, to such effect that Gauss's crucial proof of Kepler's claims also proves that the universe as a whole is *negentropic*, by this definition, rather than *entropic*.

2) The better representation of the increase of apparent complexity in emergence of higher forms of existence, is made available, relatively uniquely, by the constructive geometrical representation of the Gauss-Riemann complex domain. The implications of the Riemann Surface Function typify the proper definition of the kind of increasing complexity of higher states of organization of processes.

In short, "greater complexity" in Moiseyev's cited feature, should be read in the language of Georg Cantor's transfinite orderings: the harmonically ordered increase of density of singularities per chosen interval of physical least action. This is a characteristic feature of a Riemann Surface Function, to such effect that that Function is a relatively adequate representation of *negentropy*, whereas the statistical definition of Boltzmann and the modern "information theorists" is intrinsically false to physics, and otherwise never better than accidentally a useful one.

This means that we must discard entirely the notion of "potential" associated with Laplace's functions and their derivatives. Potential must be measured, in first approximation, as an increase of density of singularities per interval

of action, in an appropriately defined phase-space representation. A properly defined "potential surface" is simply the locus of equal density of singularities per interval of physical least action (and least time) in an appropriately defined representation of phase-space.

3-4) The attempt to represent living processes as living processes from the standpoint of molecular biology, is impossible and absurd. Axiomatically, molecular biology can represent only those features of living processes which are, in and of themselves, the province of the pathologist.

The characteristic of those aspects of biological processes deserving of identification as substantives corresponding uniquely to the verb "to live," are, by definition, *elementarily nonlinear, negentropic* processes. This locates the corresponding experimental phenomena within the domain of *optical activity* of both living and non-living processes compared.

By *optical* we must signify *electromagnetic*, as this subject is represented by the relevant work of Riemann and Beltrami, rather than Maxwell et al. We must isolate those nonlinear forms of electromagnetic processes which correspond to a Riemann-Beltrami notion of a Riemann Surface Function, as the study of the phenomena of *nonlinear spectroscopy* illustrate the point.

5) The collapse of adequate emphasis on use of capital-intensive modes of scientific and technological progress, is lowering the potential population-density of this planet significantly below the actual population-density. The looting of agriculture and the looting of, and failure to develop adequately basic economic infrastructure, is a leading feature of this. We are at the verge of a catastrophic collapse of human population levels, and also a related collapse of the biosphere to a lower state of existence. Unless we resume capital-intensive scientific and technological progress on a global scale, by aid of eradicating the policy influence of the malthusians, the human species is virtually doomed to a biological holocaust of incalculable awfulness and incalculable implications.

This latter correction of the fifth point excerpted from Moiseyev's feature, exposes implicitly the axiomatic fallacies of the neo-malthusian Global Ecosphere Biosphere Project as a whole. The proposed remedy is effectively designed to do nothing different than to kill a patient who is merely ill. This touches upon the crisis of the Soviet economy, and thus the cited strategic issue.

If Moiseyev writing as a member of the Soviet Academy of Sciences, is representative of the views of that institution, then that Academy has adopted some aspects of the "vintage LaRouche" material it received for study, but has so far failed to master the most essential points.

## Potential population-density

In the internal history of its development, the LaRouche-Riemann Method is derived from the influence of Leibniz, and is, more immediately, the application of a conclusive disproof of Kant's theses to disproof of the absurdities of the Wiener-Shannon Boltzmannian dogma of "information theory." It is also a devastating refutation of the work of John von Neumann and related developments in the attempt to represent what are actually intrinsically nonlinear processes by methods of systems of simultaneous linear inequalities. It was developed, from those fundamental points of reference, as a re-elaboration of Leibniz's science of physical economy.

The implications bearing directly and implicitly upon Moiseyev's treatment of Vernadsky, are as follows.

In a conjectural "simple hunting and gathering society," attributed to the condition of late Cenozoic wilderness, the sustaining of an average individual human in a wretched condition with minimal life-expectancy would require an estimate average of ten square kilometers of the planet's land-area. This can be stated otherwise: The upper limit of the living human population of this planet, would be approximately 10 million persons. The former expresses *potential population-density*, and the latter *potential population*.

By 1970, the state of the art of technology available for generalized use then, implied a potential population of this planet of between 15 and 25 million persons. This assumes the generalized application of that level of technology, and in the appropriate degree of capital-intensity. That implies a global living-standard comparable to no less than the best average in any industrialized nations of approximately 1970. That represents an increase of the potential population-density of more than three decimal orders of magnitude.

The history of growth, physical productivity, and level of technology of the human population during the recent five to six thousand years is variously known, or inferable with reasonable accuracy. This evidence shows conclusively, that, from the standpoint of physical economy, the essential quality which sets mankind apart from, and above the beasts, is the ability of the individual human mind to generate and to assimilate efficiently scientific and technological progress.

Kant argued, from a radically deductive standpoint, that the creative processes of the individual mind, responsible for such progress, could not be supplied an intelligible representation. For Kant, the verb "to create" had no intelligible referent. "Information theory" adopts Kant's axiomatic absurdity. For reasons supplied in published locations, these creative processes are susceptible of intelligible representation, and that in ways suggested by Riemann's treatment of the problem of representation of what is seemingly a purely arbitrary function (on condition that the function represents a real process). This representation is exclusively a nonlinear one, to such effect that no deductive mathematical physics is susceptible of representing it, although this is feasible by aid of elaboration of the Gauss-Riemann manifold to an adequate

degree of development.

From this same standpoint, *technology*, as Leibniz defined this term, is intrinsically susceptible of measurement. This is done by quantizing a physical continuum in terms of its specific physical space-time curvature, using a true non-Euclidean (constructive) approach, rather than the nonsense definition of "curvature" of the sort arising in a "neo-Euclidean" geometry, such as Herman Minkowski's, falsely termed often "non-Euclidean." Thus, a causal correlation among technology, power density, and physical productivity of labor is implicitly represented; this correlation is subsumed in terms of a generalized function for increase of potential population-density.

Given an adequate cultural development of the labor force, the principal constraints acting upon the attempt to realize technological progress in agriculture and industry, are the level of power-density and the correlated level of development of basic economic infrastructure. Without adequate power-density, and without adequate development of basic economic infrastructure, efforts to realize technological progress in agriculture and industry must fail in net effect. Both are crucial features of the internal crisis of the Soviet sector.

Globally, the possibilities for improving power-density are limited until we realize a second generation of commercial state of the art in fusion power technology. That achievement would increase the scale of output of power plants from units of gigawatts to terawatts, a result implicitly achievable during the coming 40-odd years. Beyond that, we can improve upon the potential (power/fuel-weight) of fusion generation by several orders of magnitude, through mastery of matter/anti-matter reactions.

Fortunately, we need not worry about possibilities beyond the matter/anti-matter reaction. Power in terawatt concentrations defines the feasibility of large-scale colonization of nearby solar space (e.g., of Mars). Matter/anti-matter reactions open up the regions beyond the Solar System to human exploration. Under such conditions the potential population-density of Earth is no longer a constraint for the human species as a whole.

Terawatt-unit power output increases potential per capita productivity and standards of living on this planet into the range of a decimal order of magnitude or more greater than today's standard-market-basket calculations. Under rational conditions, we must expect that level to be reached globally by the middle of the coming century. Matter/anti-matter reactions imply more than an additional decimal order of magnitude during the early part of the twenty-second century.

The factor of lag, of gains in productivity and potential population-density, behind the increases in power-density, represents tribute which mankind must pay to nature on two general accounts: the requirement to conduct basic production at much higher energy-flux-density levels, as the price for greater efficiency; and, the great increases in development

of basic economic infrastructure required to render the Earth efficiently habitable for such scale of increases of productivity and population-density.

The aspect of production which has the greatest direct impact upon the biosphere is the improvement of basic economic infrastructure—or, the lack of adequate such development. By “basic economic infrastructure,” we signify usually water management and related land-management improvements, production and distribution of primary sources of power, general transportation, general communications, and urban residential-industrial infrastructure. We must also include the development of land, and maintenance of that development by agriculture.

For example, as we approach terawatt-unit-scale of fusion generation, there are no more deserts on this planet. The density and associated vitality of healthy biomass development must be increased by human intervention. The old notions of improvement of land for increased fertility, must be extrapolated as new advances in technology, and requirements imply. This requires advances in biology; it requires great increases in the power-density per hectare investment in land improvements and related basic economic infrastructure. This represents not only investment in improvements; it represents a higher scale of cost of life and production, in terms of power allotted to such investments and their maintenance.

Compare the energy consumptions, per hectare and per capita, among the United States, the Federal Republic of Germany, and Japan, for approximately the year 1970. We see that power-density per per-capita unit of population-density correlates with levels of technology employed and productivities obtained.

Then, compare these results with the cases of mainland China and India. Without massive increases in power-density, and related development of basic economic infrastructure, these nations can never hope to rise much above their present average levels of impoverishment.

Thus, the failure to develop and apply advances in scientific and technological progress on a truly global scale, combined with the failure to increase per capita and per hectare power-output and consumption, and the failure to recognize in efficient practice the imperative of general development of basic economic infrastructure to adequate levels, are central features of the post-1970 collapse of potential population-density to present levels below actual, sustainable population-density.

Implicitly, including man's activity as the dominant determinant of the vitality of the biosphere, what happens if we reduce power-density and basic economic infrastructure such that we lower the potential of the biosphere as a whole, as we have done over the recent 20-odd years globally—largely through the influence of the “environmentalist” malthusians? In crude terms of reference, we establish a lowered state of “metastatic equilibrium” for the biosphere as a whole.

We know happy facts about the upward evolution of the biosphere. This conforms, to all intents and purposes, to the harmonically ordered changes in state characteristic of healthy living processes. A lowered potential population-density, does not signify retracing the upward path of development backwards. Devolution, which is entropic, has a different characteristic space-time curvature than negentropic development; it has the harmonic characteristics of non-living processes, except that this devolutionary pressure is being applied to a whole process, the biosphere, which is living, and hence negentropic.

What happens then? How does life destroy its higher forms, to bring the whole biosphere to a lower state of metastatic equilibrium? The emergence of new kinds of lower forms of life, and so on, consumes the higher forms of organization of life, to bring the biosphere into metastatic equilibrium at a lower general state. In short, biological holocaust.

What the GEBP proposes as remedy, and as Moiseyev and Gorbachov have echoed this, is like attempting to eradicate an infectious agent from a human body with doses of cyanide or a universal toxic agent of similar consequences. The best way to defend this planet's biosphere, is to rid it of the malthusian globalists.

### **The Soviet crisis**

The internal economic crises of the Soviet sector and mainland China are mammoth. Added to the massive inputs required now to establish some improvement as well as equilibrium in the developing sector generally, the means do not exist on this planet, presently, to solve these problems. Under a continuation of neo-malthusian policies, the means will shrink, and the problems become but worse.

What is wanted, to make solutions politically possible, is to scrap malthusian impulses, and to do more than merely return to the emphasis on capital-intensive modes of scientific and technological progress of 20-odd years ago. We must generalize the efficient realization of such progress on a planetary scale, taking into account the massive increased costs which must be allowed for improvement and maintenance of basic economic infrastructure.

Rather than the idiocy, of reducing the scale and intensity of production, which ensures the collapse of the biosphere, we must allot an increased cost-outlay, from production, for the development of the biosphere, per capita and per hectare. We must turn to the direct opposite of what the malthusians propose.

If we resolve to raise the level of output so, no sane statesman will hesitate to do what is necessary to prevent any nation from being driven to the condition of internal desperation that it embarks on mad adventures deadly to the planet generally. Solutions for the Soviet crisis, in particular, exist; but this is true in practice, as well as scientific principle, only if we commit ourselves to produce the means such solutions require.

## Former official charges IMF with Nuremberg crimes

*On May 18, 1988 Davison L. Budhoo wrote an Open Letter of Resignation From the Staff of the International Monetary Fund, to Mr. Camdessus, Managing Director, in Washington, D.C. He gave up a \$145,000 a year (tax-free) job as a senior aide at the IMF; prior to that he had been a Fund representative in several countries. He provides evidence “from the inside” of what EIR has been stating for many years: that the IMF is willfully carrying out a policy of genocide toward the Third World. Mr. Budhoo’s charges have been blacked out by the U.S. major media, just as they covered up in the 1930s for the crimes of Hitler and Stalin.*

*Excerpts follow of Part I of the letter. Editorial deletions are marked by (. . .); other ellipses are original punctuation by the author.*

### **1. The milieu**

#### **a) Why I have to forego the code of “Proper Fund Staff behavior” and write this Letter**

Today I resigned from the staff of the International Monetary Fund after over 12 years, and after 1,000 days of official Fund work in the field, hawking your medicine and your bag of tricks to governments and to peoples in Latin America and the Caribbean and Africa. To me resignation is a priceless liberation, for with it I have taken the first big step to that place where I may hope to wash my hands of what in my mind’s eye is the blood of millions of poor and starving peoples. Mr. Camdessus, the blood is so much, you know, it runs in rivers. It dries up too; it cakes all over me; sometimes I feel that there is not enough soap in the whole world to cleanse me from the things that I did do in your name and in the names of your predecessors, and under your official seal.

But I can hope, can’t I? Certainly I can hope. I can hope that there is compassion and indignation in the heart of my world, and that people can stand up and take notice of what I have to say, and listen to your reply. For you will have to reply, because the charges that I make are not light charges—they are charges that touch at the very heart of Western society and Western morality and postwar intergovernmental institutionalism that have degenerated into fake and sham under the pretext of establishing and maintaining international economic order and global efficiency.



*Children from the slums of Sao Paulo, Brazil. Former IMF official Davison Budhoo reveals the inside story of how the Fund has deliberately destroyed the economies of Third World countries.*

John Grauerholz

You think that's all there are to my charges? No, there is more; much more. The charges that I make strike at the very soul of man and at his conscience. You know, when all the evidence is in, there are two types of questions that you and me and others like us will have to answer. The first is this: Will the world be content merely to brand our institution as among the most insidious enemies of mankind? Will our fellow men condemn us thus and let the matter rest? Or will the heirs of those whom we have dismembered in our own peculiar Holocaust clamor for another Nuremberg?

I don't mind telling you that this matter has haunted me; it has haunted me particularly over the past five years. It has haunted me because I know that if I am tried I will be found guilty, very guilty, without extenuating circumstance.

But beyond the question of guilt, there is a far more operational matter that bothers me; it is this: What devil is there in us that will allow us to go this far into a shame and an ignominy without screaming out a protest as human beings and as men of conscience? How could we have allowed ourselves for so long to defend the indefensible?

When I ask myself that question I become disoriented. I become disoriented because I cannot cope with the consequences of the answer that I know will surface one day. Put simply, that answer will doubtlessly focus on the total preoccupation of Fund people, and Fund inspired people, with personal material gratification and with the lust for, and abuse of power placed so inadvertently, yet so completely, in their hands. It is the timeless story of human beings, faced with an

exceptional opportunity to further the cause of mankind, turning around and destroying everything worth preserving because of some indefinable quirk in our Nature. It is the timeless story of the descent of another century of history into hell.

Doubtlessly you feel outraged that I speak thus, and that I ask questions that raise the spectre of personal culpability of those who labor within our institution, and that I make what you may see as meaningless, but dramatic and eye-catching generalizations about our work and history's verdict on it. Perhaps you wish to say to me, "You are mad to suggest that the Fund, or anyone associated with it, has committed such awful crimes." Well, maybe I am mad, Mr. Camdessus, to look at our operations with eyes of candor and to feel terror, rather than satisfaction, at the sight of us doing things of Dracula that we so blithely do. But I cannot help being mad thus; I cannot help feeling what I feel; I cannot help being squeamish. I guess you can say that there was always a Mr. Hyde within me, and even as I did your Dr. Jekyll work I kept looking over my shoulder at his kind face. And one day he said to me: "Take stock of yourself; the image of the Beast is blotting out all else. Your soul is becoming shriveled up; you are becoming dispossessed of all traces of your humanity." And I replied: "It cannot be; I will never accept to be thus; I will fight tooth and nail to return to the Human Fold."

This Letter is the start of my fight back to that Fold, and in writing it, and in doing other things that I must henceforth

do, I have to forego the conventional stereotype of Fund Staff “proper” behavior. Put bluntly, as from today I refuse to accept the Fund-imposed censorship on our activities in the Third World. I have also stopped obeying your directive that reports and memoranda and other printed matter that document these activities be regarded as unexceptionally confidential and “hush-hush.” Equally, I reject the Fund’s traditional stance that the world has no right to know details of our methodology, or be made privy to the secrets of our success in doing what we do. More comprehensively and catalytically, as from today I tear off the mask of studied ambiguity that your organization did give me 12 years ago. As from today, Conscience becomes my only guide. (. . .)

### **c. What this Letter is, and isn’t**

Wait, Mr. Camdessus, wait! Don’t breathe a sigh of relief. Don’t say: “Oh, another do-gooder filled with delusion and a pitiable sense of self-importance! Another gieser striving vainly for melodramatics! Another giëser wasting my time. Now that I know who he is and what he is after, let me call in the High Priests of the Fund. They will take care of him; they will clean up the little mess that he did make. What a life! It’s all in a day’s work.”

Mr. Camdessus, don’t say these things; don’t devalue my substance thus, as we devalue the currency of every Third World country that we latch on to. You know, contrary to what may be your impression after reading the first few pages of this Letter, I do not deal in wild accusations and uninformed guesses; I do not deal in diatribe. I deal in cold, stark facts—facts and specifics of time and place and Fund policies and Fund conditionalities and Fund missions and Fund meetings and Fund negotiations and Fund-related fraud. (. . .)

## **2. Six indictments against our operations in Trinidad and Tobago**

I hereby file accusation against the Fund in its dealings with Trinidad and Tobago on six counts, viz.:

(i) We manipulated, blatantly and systematically, certain key statistical indices so as to put ourselves in a position where we could make very false pronouncements about economic and financial performance of that country. In doing so, we created a situation whereby the country was repeatedly denied access to international commercial and official sources of financing that otherwise would have been readily available. Our deliberate blocking of an economic lifeline to the country through subterfuge served to accentuate tremendously the internal and external financial imbalances within the economy springing from the dramatic downturn in the price of oil;

(ii) The nature of our ill-will, and the depth of our determination to continue on a course of gross irregularities, irrespective of economic consequences for the country and its peoples, are clearly shown by the fact that your senior staff bluntly refused in 1987 to correct even one iota of the wrong that we had done over 1985/86;

(iii) Congruent with the action outlined in (i) and (ii), the staff has waged within the Fund an aggressive campaign of misinformation and derision about economic performance in Trinidad and Tobago. The insidiousness of that campaign is dramatically highlighted in the deliberately wild allegations made in the Briefing Paper to the last consultation mission—a paper that was cleared and approved by your good self in June 1987;

(iv) As the country continues to resist our Deadliest Medicine that would put it in a position to enter into a formal stand-by arrangement with us, we continue to resort to statistical malpractices and unabashed misinformation so as to bring it to heel. Among several misdeeds, we have influenced the World Bank, apparently against the better judgment of its own mission staff, to come out in support of our trumped-up policies and stances for the country;

(v) In our seemingly inexplicable drive to see Trinidad and Tobago destroyed economically first, and converted thereafter into a bastion of Fund orthodoxy, we have applied, and are applying, intolerable pressures on the government to take action to negate certain vital aspects of the arrangements, as enshrined in the constitution of the country, through which the government functions, and within whose framework fundamental rights of the people are recognized and protected, and norms of social justice and economic equity maintained;

(vi) Our policy package for Trinidad and Tobago—i.e., the conditionality that we are demanding for any Fund program, and the measures that we are asking the authorities to implement as a necessary precondition for a loosening of the iron grip that we now hold on the fortunes of the country in so far as its recourse to international capital markets and official bilateral donors are concerned, can be shown, even in a half-objective analysis, to be self-defeating and unworkable. That policy package can never serve, under any set of circumstances, the cause of financial balance and economic growth. Rather, what, in effect, we are asking the government of Trinidad and Tobago to do is to self-destruct itself and unleash unstoppable economic and social chaos. In this respect, this Letter invites you to appoint urgently an independent expert group to look into all aspects of the charges made in Parts II and III of the Letter.

Self-defeating and unethical as it may seem, what we have done and are doing in Trinidad and Tobago is being repeated in scores of countries around the world, particularly in Latin American and the Caribbean and Africa. Sometimes we operate with great restraint, sometimes with less, but the process and the result are always the same: a standard, pompous recital of doctrinaire Fund “advice” given uncompromisingly and often contemptuously and in utter disregard to local conditions and concerns and susceptibilities. It is the norm now rather than the exception, that when our “one-for-all and all-for-one” Fund cap doesn’t fit the head for which it is intended, we cut and shave and mangle the head so as to give the semblance of a fit. Maybe we bust up the head too much

in Trinidad and Tobago, but have no illusions that the way we operate throughout the world—the narrow and irrelevant epistemology underlying our work, the airs and affectations and biases and illusions of superiority of our staff vis-à-vis government officials and politicians in the developing world, our outrageous salaries and perks and diplomatic immunities and multiple “entitlements,” the ill-gotten, inadvertent power that we revel in wielding over prostrate governments and peoples—can only serve to accentuate world tensions, expand even further the already bulging ranks of the poverty-stricken and destitute of the South, and stun, worldwide, the human soul, and the human capacity for caring and upholding norms of justice and fair play.

### 3. A bird’s-eye view of subsequent parts of this Letter

#### (. . .) b. Summary of Part IV (. . .)

How, in fact did we get into the game of giving farcical advice to member countries? (. . .)

This question takes us back to the very origin of the Fund; an attempt is made to unravel the various elements of Fund history and epistemology to see how and if, to what extent and at what stage, our quest for a better functioning world became ensnarled into our personal ambitions and our burgeoning group psychosis.

On the above matters a set of interrelated conclusions are drawn. The first is that the Fund, which was established primarily to serve developed countries by overseeing the return of the industrialized world to orderly multilateral trade and payments arrangements, has never been able to come to terms with the problems of the developing world, which are fundamentally different—i.e., economic growth and diversification, and broad social change along the whole spectrum of income distribution, quality of life, social security and political instability and economic waste, and poverty and hunger and disease and desperation. Always, and under all conditions that may be encountered, the conceptual backdrop that we brought to bear on our work, and the body of economic principles that guided our action, sprang overwhelmingly from the 19th century vision of Pax Britannica, now writ large as Pax Atlantica—i.e. “perfect competition,” and “world allocation of resources” and “international division of labor” and “general equilibrium in the (Western) world economy” to be achieved through the instrumentality of unbridled and “free” pricing systems domestically and Gold-Standard determined exchange rates internationally. As far as we were concerned, all the difficult dynamics and unforeseen phenomena of the developing world in the Fifties and Sixties and Seventies and Eighties of this century had no meaning whatsoever; they could be ignored or dismissed or shrugged off without the batting of an eye or the furling of a brow. Unwilling and unable to meet emerging Third World needs, we became the Neanderthaler of the 20th century. (. . .)

The following general conclusions are drawn, after close perusal of evidence. (. . .)

(ii) The Fund is soulless, not because there is no scope for humanized behavior and compassion in an institution dedicated to optimum world efficiency and a more effective use of foreign financial resources in developing countries, but because its founders, in chasing their improbable dream of Pax Atlantica, overlooked all scope for exercising compassion and alleviating social injustice in certain parts of the international system that they were creating. Compassion and social justice were crying needs; they are the very roots on which we should have nurtured an evolving and pragmatic Fund philosophy for the Third World. But our Founding Fathers denied us access to them, and shriveled our soul. So later on, when we “stole” the Fund, All Things Just and Humane became our Absolute Antithesis; we were as clinically and completely materialistic and single-minded in pursuit of Our Own Gratification (Pax Honeypot) as they were in pursuit of Pax Atlantica.

(iii) In a very meaningful way, our staff perversion is the logical consequence of our Founding Fathers’ credo, just as the latter is the logical consequence of the prevailing 1944 international ethos of Superior Man and Inferior Man, and the Western man and his system to be saved and nurtured, and the Southern man to be overlooked and cast aside, in so far as his needs and aspirations as individuals and groups and nations are concerned.

And it is this theme—the theme of the Southern man remaining in oppression under postwar multilateralism, spearheaded by the Fund, as he had been under 17th and 18th and 19th century colonialism—that occupies the fourth section of Part IV. More specifically, representative examples are given of the *modus operandi* of Fund staff as the New Nobility of Earth, out to protect and expand Pax Honeypot, and to smother all opposition to their hegemony, from whatever quarter such opposition may come.

On “internal” matters you are asked to take a close look at the implications of the rampant and multi-faceted racism that is now an extremely operative factor in Fund staff calculations; as you are fully aware, this “internal” worm eating at our soul has created its own system of internal injustices and double standards and rank arbitrariness within the Fund, particularly in relation to staff promotion and job assignments. But, unfortunately, that is only the tip of the iceberg; the matter runs far deeper than staff issues. Indeed, racism makes itself felt in a wide range of organizational practice, some of which are eminently inexcusable, given our international nature. Among these is the classification of South Africa as a “European country” administered by our highly segregated, virtually “white staff only can work here” European Department. (. . .)

Yes, yes, Mr. Camdessus, in scores of developing countries that are unfortunate enough to fall within our grasp, we hold simultaneously and completely in our hand Leg-

## LaRouche denounced IMF genocide in 1982

*In an "Open Letter to IMF Member-Nations," distributed at the annual International Monetary Fund meeting in Toronto in 1982 and published by the National Democratic Policy Committee in August 1982, Lyndon H. LaRouche, Jr. indicted the dominant member-governments of the Fund for "insane" behavior in economic and monetary matters. A passage from that 31-page document follows:*

### The echoes of Nuremberg

The aggravated degree of austerity being practiced, has reached the point that officials of governments and supranational institutions are placing themselves personally at jeopardy under provisions of the "Nuremberg Code." In Africa and elsewhere, Ladies and Gentlemen, you are already complicit in what *you know or should have known* to be mass-murder against entire nations.

To this point, the worst among you reply with words to the effect: "So what?" Such fellows have argued, to the effect of these words: "Perhaps we are increasing the death-rates, even to as great a degree as you accuse us of doing. So, what? There are too many people living already, especially among the darker-skinned populations of the world. So, what, if many of them must die for the sake of

our monetary policies? Show me anywhere today, a court which has the inclination and power to put me and my friends on trial because of these policies. We are running the world's monetary institutions, and we shall do as suits us. Good day! I have nothing more to say, wasting time arguing with you on this subject."

This is a fair description of arguments this writer has heard from financial officials and others repeatedly since late 1975 and early 1976: In Basel, Paris, the Federal Republic of Germany, London, the United States, and elsewhere.

The racist component of such arguments is no exception. Such racialist motivations for the policies of the Club of Rome were volunteered by a former official of the OECD, recently, Dr. Alexander King. King identified himself as the creator of both the Club of Rome and of the present career of Aurelio Peccei. While an official of the Nixon administration, and close collaborator of Henry A. Kissinger on population-policy, present U.S. Senator Patrick Moynihan motivated population-control policies directed against dark-skinned sections of the U.S. population itself on grounds of alleged genetic inferiority of those targeted populations. . . .

It is the influence of such neo-malthusian policies and their supporters which is chiefly responsible for widespread condoning of economic-monetary measures of genocide against targeted LDCs and other nations today.

To such political figures and their accomplices, a clear warning must be issued. Remember: The Nuremberg tribunal was created *after 1945*. "Where is the court which would try you for your support of genocidal policies today?" Perhaps there is none. Can you be certain one will not spring into being tomorrow?

islative and Executive and Judicial powers over wide-ranging matters relating to national economic and financial policies. We do our own "tainted" evaluation of economic and financial performance (an evaluation that is subsequently accepted as Bible Truth by Our Executive Board of Intent under the name of the Minister of Finance and present it to him for signature); we administer the "program" specified in the Letter of Intent (. . .).

The whole process of determining what is "right" for the country, to formulating that "rightness" into a legal document that specifies "conditionality" and "performance criteria," to administering and monitoring the "program," to determining whether or not the country is eligible to draw, to alerting the international community as to whether or not we did see fit to create yet another "outcast country" or "leprosy case," is performed not only solely by the Fund, or by the relevant Division of the appropriate Department

of the Fund, but in most instances by a single staff member acting on your behalf and with your authority. Such a staff member would hold, for all intents and purposes, the economic fate of the country concerned, and of its peoples, in his hand; as such he becomes transformed from a human being to the Unstoppable supra-national Authority; all his own personal prejudices and arbitrariness and hang-ups and self-interest and lust for power and mad desire to control the destiny of peoples and of nations become essential elements of that Unstoppable Authority. (. . .)

#### d. Summary of Part VI

(. . .) The first section comes back to a fundamental question raised in Part IV, viz.: Can the Fund reform itself so that it serves the true interests of developing countries without negating critically its role as the major plank of an international management system for economic stability and growth and for the financing of such stability and growth?



In searching for an answer, a comprehensive listing is made of “reform proposals” made by your good self and by your predecessors over the past several years to change the nature and the modules of Fund operations and facilities, presumably with a view of sensitizing the institution to the needs and characteristics of developing countries. (. . .)

And in this respect, the conclusion is drawn that past and present “reform proposals” put forward by Fund Management are not really proposals for reform at all—certainly they do not address matters highlighted in this Letter. Instead, they are shown to be the minimum jawboning that the Fund staff feels compelled to indulge in at any particular time, to take the heat out of criticisms about our operations in the Third World made by the Board of Governors and other “important” entities. In any event, your Reform Agenda is not new; the items identified—with one exception—have been depressingly recycled, with minor modification, at almost every Fund/World Bank Board of Governors gathering over the past 20 years.

We go through motions, Sir; we have our annual charade that we call the Fund/World Bank Board of Governors Meetings; we hand out the same “reform package” to the Ministers of Finance of the Third World, and they go home satisfied, having connived in all our trickery and participated in our game. Yes, yes, we move them around the chessboard like robots. We tell them, “Come back for the next bodacious meeting of the Development and Interim Committees in Sin City in the Spring; Fun and Games will start anew again.”

And so it goes on and on and on. And nothing changes in the developing world except more death and destitution for the people in the slums, and more power for the Fund. And with the passing of every meeting our staff becomes even more reinvigorated; they wield a sharper and more bloodied tool; an even more terrifying Executor’s Axe stands poised for service everywhere in the South. And the children scream, Sir; my God, how they scream!

The only relatively new “reform proposals” on your agenda relates to the impact of Fund support programs on poverty groups. (. . .)

The section ends by examining a plethora of technical possibilities through which the poverty and income redistribution variable could be made to become an integral part of Fund programming and performance guidelines in Fund supported arrangements. One by-product of this exercise is the identification of a seemingly unbridgeable chasm between Pax Honey-pot and all that it stands for, and the human values that we had ignored and had lost. Starkly brought into focus is the mind-boggling extent of our violation of basic human rights throughout the developing world for over the past five years in particular. (And don’t raise your hand in protest, Sir, as I say this. The evidence is there, wait to read it.)

The Third section of Part VI highlights the power and hegemony of the nondescript bureaucrat; it pulls together a

whole series of strands of evidence and details of how we “stole” the Fund—evidence and details left hanging perhaps somewhat loosely in previous Parts; it tries to complete the jigsaw puzzle. It is concluded that we must be made to retrace our steps back to the Bretton Woods Conference and to Pax Atlantica of 1944, holding to our chest the soiled and tattered rage of multilateralism that did represent dreams and aspirations of almost two generations of Southern people—dreams and aspirations that became a nightmare and a graveyard and an imposed monstrosity defiling our times and our world. We have to retrace our steps back to 1944 with our rag tainted and defiled, but freed at last from the parasite that did infest it for so long and did gnaw at its soul. When we can look at that rage with eyes of horror and see the immensity of our aberration from decency and humanity, we will be able to start anew again. (. . .)

#### **A final Observation before I proceed to release Parts II-VI of this Letter**

Over and over again I’ve been told by people whose judgment I respect, that the Fund will do everything in its power to decimate me as an individual, and to destroy me as a professional economist, in the wake of this Letter. The overwhelming advice of those with my interests at heart is that I had better resist all dictates of conscience and keep my mouth shut. I refuse to do that; I will not be muzzled one iota; I will speak up; I have taken meticulous care in writing what I write; I am prepared to prove everything that I say—send me before the harshest judge and see what you will see. In any event, in the broad sweep, individuals are not important; Davison Budhoo is of no consequence. I’m a vessel and the message that I carry will get through; that’s the only thing that matters; irrespective of what may happen to Davison Budhoo, the message, the whole message, will get through. And this Letter does not define anything close to the whole message; it is only the tip of an iceberg. And as to what lies beneath—well, time will tell. Soon enough, time will tell.

Follow your instincts, Sir, and let the High Priests go empty-handed for a change—at least, think very carefully before taking their advice on what to do about this Letter. For we are not speaking anymore about technical problems in international finance, amenable to technical and “convenient” solutions (“convenient” to whom?). We’re speaking about our role in shaping the destiny of mankind; about the horrendous part that we have played on the 20th century world stage; about the legacy that we will leave to generation upon generation yet unborn; about man’s inherent right to follow the callings of his conscience and man’s efforts to try to save his soul; about the occasional sight of one individual throwing himself blindly at the feet of his fellow men and begging for mercy and amelioration.

So think carefully, Sir; think beyond the heat of an impassioned moment. Think as the man of compassion and vision that I believe you are.



## Millions die every year in IMF's new Holocaust

*The following is part of an interview with Mr. Budhoo conducted by Carlos Wesley on Jan. 10.*

**EIR:** You accuse the International Monetary Fund of committing genocide, of creating a new Holocaust. What do you mean by that?

**Budhoo:** The type of adjustment that the Fund undertakes in countries, it seems to me, in a sense is geared to benefit the elite and to punish the poor.

UNICEF a few weeks ago had a report on children and the impact of Fund-type adjustments, under the debt strategy, on children. They came up to a conclusion very similar to mine in what you mention about Holocaust: that half a million children, I think it's a year or every six months, under their estimation, and because of adjustment programs of the Fund under the debt strategy—they die, they just die. They could have been saved.

**EIR:** You mentioned that, at one point, the IMF officially warned you about violating, what I guess would be the equivalent of an Official Secrets Act.

**Budhoo:** The Fund did write me that letter—the director of administration—soon after I resigned. What he was saying, effectively, is that if you persist in bringing to world attention policies of the Fund that just an insider should know, or if you persist in disclosing confidential information about the Fund, then we're going to—to use his words, not his exact, but almost exact words—that we, the Fund, would have to take action against you to protect the interests of itself and of its member-countries. I wrote back to him saying, I presume you're speaking about legal action against me, and if that is the case you made me very happy, because there is nothing else I would want more than for the Fund to take legal action against me, because such action would give me an international forum, where I could officially, and in a very systematic way, state my case, and bring to the public's attention all of the ills of the institution.

"Newsmakers" program phoned them, and they said, "Off the record, he's gone flaky. . . . He's an economist, this is an economic institution, and he writes a letter to

the managing director and he speaks about forgiveness, about Holocaust, about God, about religion. Another reason why he's mad: Who would ever leave the IMF, go out there and speak against the IMF? Who would dare to do that but a madman? So, you should pay no attention to him."

**EIR:** You accuse the IMF of falsification of data, of fraud, statistical fraud, statistical manipulation, and you have brought up the specific case of Trinidad and Tobago. Can you tell us exactly how this was done?

**Budhoo:** Certainly. In Trinidad and Tobago, systematically, over three years—1985, 1986, 1987—the Fund gave data that was totally false. The process is as follows: You get from the country their own statistical base. The Fund uses that statistical base to develop what we call key economic indicators. That is used then to determine Fund policy stands toward the country. On the basis of this, you come to a conclusion that certain measures must be taken by the government to restore financial stabilization, and to set the stage for longer-term economic growth.

Now, one of the key economic indicators is the Relative Unit Labor Cost index [RULC]; that is a measurement of labor costs domestically in relation to international labor costs, as measured by the major trading partners of the other country, weighted in relation to trade of the country with these developed countries. Over the years we *systematically* inflated that index.

Now, that index is the most critical index that the Fund uses to determine international creditworthiness of a country, and of course, the need for devaluation. And it's the index the commercial banks would use to determine the capacity of the country to repay its debts in the future, the capacity to generate exports to pay its debts. That index was massively rigged by the Fund.

**EIR:** And this was also done with the exchange rate figures?

**Budhoo:** Yes, the effective exchange rate, terms of trade, indices were also—over several years—overestimated. . . . We just invented figures that would allow us [to support the IMF's] policy stance toward the country. We wanted a de-

valuation of 33%, we wanted a fiscal deficit of 6%, allowable 6% deficit, so we worked back from these requirements, and we put in the figures that would make these requirements consistent with the first part of the report.

**EIR:** What was the IMF's response when you said they were violating Trinidad and Tobago's Constitution?

**Budhoo:** They just ignored me. The instructions the managing director gave us were to go there and squeeze the government on the COLA [Cost of Living Adjustment]. At that time, under process of law, it was being arbitrated by the Industrial Court, whether the cost of living allowances given to civil servants were to be terminated. The government terminated them unilaterally. The public sector trade union said it must be something negotiated, they couldn't terminate under law; it must be something that was agreed by them. The matter went to the Industrial Court. When we were there in Trinidad, it was before the Industrial Court. No decision had been taken. Yet, in our briefing paper, we had that irrespective of the determination of the Industrial Court—whether they ruled in favor of the civil servants—we must inform the government now, that it must *not* reintroduce cost of living allowances, *even* if the Industrial Court tells them to do it—which is the *law* of the country—they must not do it.

**EIR:** Were your charges of fraud in the case of Trinidad and Tobago confirmed?

**Budhoo:** Last June the prime minister, A.N.R. Robinson, appointed not one, but two committees; he appointed an internationally renowned Canadian economist, who is a professor of economics at McGill University, Kari Levitt, and he appointed a committee of prominent Trinidadians, two professors from the University of the West Indies, the director of statistics in Trinidad, and a prominent Trinidadian businessman, as a second committee to look into my allegations, headed by Prof. Compton Bourne of the University of the West Indies.

Now, last weekend, the prime minister released both reports to Parliament. And both reports supported me 100% in everything I said. They said it was correct, and in fact, in some instances, including the RULC, the very detailed statistical recalculations done by Professor Levitt showed that I was even underestimating the extent of what, to me, were the Fund's fraudulent activities in that index in Trinidad and Tobago.

**EIR:** What has been the IMF reaction to these reports confirming your accusations?

**Budhoo:** The IMF had the reports. In fact, the trade union movement of Trinidad yesterday cabled directly the executive director of the IMF, asking, what are they [the Fund] going to do, and suggesting that monetary compensation for Trinidad for this fraud perpetrated on the Trinidadian people was not out of the question, and that they were pursuing that

particular angle.

And last night there was a BBC program broadcast throughout the Caribbean on this matter. They asked the Fund to give their comments on it, and the Fund said, "Hogwash and baloney!" They say it's all hogwash and baloney! Another journalist, yesterday, approached the Fund, and asked them if they had any comments. They said, "We have no official comments. But off the record, we can tell you that this man Budhoo, who is making all this trouble for us, he is a madman."

**EIR:** From your experience in other countries, was the fraud committed by the IMF in Trinidad and Tobago unique?

**Budhoo:** Trinidad is just one example of what happens. I could give you examples in the Caribbean, I could give you examples in Africa. I went on a mission to Equatorial Guinea in 1984. And very much the same type of falsification of data occurred on that mission.

**EIR:** Why is the IMF doing this?

**Budhoo:** I think even as early as 1983, there was a perception that ultimately something would have to be done, in terms of some degree of debt forgiveness. But the question of debt forgiveness would never come up, unless countries were conditioned to freewheeling capitalism. There's a wide spectrum of economic systems and economic philosophies in the Third World. Countries like Tanzania and Zambia have a particular philosophy of the state intervening in terms of this horrendous poverty and inequality of income, of providing certain assurances and securities for very poor people, in terms of education, in terms of infant mortality rate, and so on. That there are certain entitlements for people, merely because they are human beings, they should have the basics of a decent life.

Now the Fund philosophy is that for a country to grow, you just have to forget all these people, and concentrate on the entrepreneurs and the well-heeled elite of the country. . . . If the country is going to grow, it will grow because of the foreign investor, the domestic entrepreneur, and the other professional people—they are motivated, they are the people who make things happen. . . .

They write off the rest of the population entirely. Just a big garbage heap. And they say, "Okay, you poor people, you poverty-stricken people, just remain there, we will have nothing whatsoever to do with you. If you die, you die. That's the natural progression."

**EIR:** As we started this interview, we received the news that the Mexican oil workers were attacked by the military, arrested under the excuse of violating the national interest. Since this has been the sector most opposed to the IMF in Mexico, do you think this incident relates to what we are talking about?

**Budhoo:** I think you are raising a very important issue, of

the role of the international economic community in forcing political change in a country, that would allow that international community to achieve its objectives. Basically that is what it boils down to, that has happened. It *may be* that that is what is happening in Mexico now, that the international institutions and the major shareholders have a hand in it, because they perceive the labor movement has become very strong, that it could be a strong element of resistance to what I call “political conditioning policies” of the multilateral institutions, at this time.

And in fact, there has been talk about the institutions negotiating with Mexico in terms of structured adjustment programs, stand-by programs. And given the elements of resistance internally, the Fund, to be quite frank, was trying to change the balance of power in the Senate, in the Congress, to reduce the power of the opposition in Mexico. So this ties in with what you have just said. Now, I don’t think the Fund would do that in a very explicit way, but it’s true, it has tremendous leverage in the country.

In the Trinidad case, it was the Industrial Court, it was the Public Utilities Commission. I would not at all be surprised if in some countries, the structure of Parliament, the strength of the opposition—this would certainly make things much easier for the multilateral institutions in Mexico.

**EIR:** As you know, Peru has announced that it is returning to the IMF, after several years of restricting its debt payments. What are the perspectives for countries such as Peru?

**Budhoo:** Well, the mere fact of challenge, in the case of Peru, to be quite frank, it does not produce the type of atmosphere as far as the Fund is concerned, to get Peru back in without bringing the country absolutely down to its knees in a very humiliating way. That’s the way the Fund operates. Peru will have an extremely difficult time with the Fund now.

**EIR:** So, Peru is just not going to be welcomed back like the Prodigal Son?

**Budhoo:** No, no. I could give you another example, of a country like Peru, which had been declared ineligible for use of Fund resources: Guyana.

I’ve commented on this, in terms of what it does to the pride of the people, very proud people in Guyana, and the experiment that they had in the Seventies and early Eighties has been turned around entirely. And now, they’re coming back virtually on their knees before the Fund. And the President is saying, “Anything you want, you can have it, we are in such desperation. Anything you want! You can have it!” The Fund hasn’t bothered very much with them—they’ve been trying now for three years to have a Fund program. They’ve not succeeded. And not because they won’t do what the Fund wants them to do. They just cannot get the resources to make it possible to do it. The Fund insists it cannot put together a financing package that would make it viable for Guyana to come back to Fund.

## The case of Trinidad a study in IMF lying

*Below are excerpts from Part II of the Open Letter of Resignation from the Staff of the International Monetary Fund by Davison L. Budhoo. EIR’s editorial omissions are indicated by (. . .); all other ellipses are the author’s punctuation.*

This part of my Open Letter deals with the array of statistical irregularities that we did perpetrate in Trinidad and Tobago, in very recent times, and are still practicing today. Obviously, the provision of proof for indictments that I am making calls for extensive reference to, and quotations from documents and reports previously circulated internally, and/or to member countries and other international agencies. Even so, evidence provided here is selective, not comprehensive, and I shall be pleased to expand on the chosen themes to properly constituted investigative authority.

### 1. The Index of Relative Unit Labor Cost (the RULC) Index and how we used it in Trinidad and Tobago

As you are fully aware, an Index of Relative Unit Labor Cost (RULC) that measures unit labor costs in manufacturing in the developing country concerned in relation to such costs in its major trading partners (industrialized countries) is a Key Economic Indicator that is used extensively in the Fund, subject to the availability of statistics. Once the series becomes available in a developing country, chances are it will feature prominently in our periodic consultation reports to the Executive Board—i.e., the Report on Recent Economic Developments (RED) and the Staff Report. The prominence given to RULC reflects the perception that such an index mirrors international competitiveness of the economy concerned and indicates, therefore, the country’s ability to continue to produce for export markets. In an economy such as Trinidad and Tobago, where one sector which had previously accounted for the bulk of export earnings (the oil sector) enters a phase of uncertainty and rapid price decline, the index is particularly important as a general determinant of the potential of the country to diversify successfully its export base and service its foreign debt. At a meeting in mid-June

# and Tobago: and trickery

to prepare for the 1987 consultation mission, a Senior Staff member reviewed the recent, dismal performance of the country's RULC as revealed in our 1986 RED and Staff Report and commented that "this statistic is the most important one that we will ever collect in Trinidad and Tobago." In his own way he was right; no one steeped in Fund methodology would doubt these words. Certainly, we did not carry the RULC series in both the text and in the Statistical Appendix of the RED, and in highly visible graphs in both the RED and the Staff Reports of 1985 and 1986, for the mere fun of doing so. We knew fully well that the international financial community would peruse our conclusions on the RULC carefully and religiously, and that international money markets would make a decision to reschedule loans or grant new credit almost exclusively on the basis of what we were saying. In this respect, it must be remembered that the external debt profile of Trinidad and Tobago is relatively new, and that the country has not as yet had time to develop a track record of debt servicing that international banks and other financial institutions could use substantively as a guide for operations there.

Apart from providing a cue to commercial banks and other lenders, the RULC index serves a critical role in the establishment of Fund conditionality for developing countries. In fact, it is the most lethal weapon that we have in our entire bag of tricks—quite definitely, it is the one that we use most often, and most effectively, to cut short the arguments of protesting governments and peoples against the need for currency devaluation and/or other measures to cut the real wage rate, initiate mass layoff of workers in the public sector, and resort to crippling measures of "demand management." Thus, when we find a sagging index in a developing country we know, instantaneously, that the time has come to get another blighter to swallow our deadliest medicine.

And so it was for Trinidad and Tobago over the period 1985-86. In each year we drilled home the point that the RULC was way out of line and that massive devaluation was needed; without such devaluation the country would slither progressively into mounting economic chaos. In 1985, for

instance, and within the context of intense Fund pressure for devaluation, our RED (Report No. SM/85/105 of April 15, 1985) states as follows:

"The substantial rise in wages, coupled with a fixed exchange rate and very small gains in productivity in most industries, have resulted in erosion of international competitiveness. Thus, unit labor costs in manufacturing compared with costs in major trading partners, rose by 150% from 1979 to 1984."

In similar vein, the 1986 RED (Report No. SM 86/172 of July 15, 1986) comments as follows:

"Unit labor costs in manufacturing increased by 160% over the period 1981-85 due to the rapid increase in wages at a time when hours worked were declining . . . unit labor costs in manufacturing compared to costs in Trinidad and Tobago's major trading partners, rose by 170% during 1980-85 . . . resulting in a substantial erosion of international competitiveness."

As I said before, in 1985 and 1986 the RULC index for Trinidad and Tobago was highlighted in text tables of the RED and in the Statistical Appendix, and was plotted in graphs in both the RED and in Staff Reports to the Executive Board. These graphs demonstrated starkly an alleged position of a runaway and still rising RULC, and on the basis of such "evidence" we chastised the government severely for not taking appropriate, or sufficient corrective action to put its house in order. Even after a withering round of devaluation in late 1985 we continued to call, shrilly and insistently, for more devaluation, and more public sector unemployment and real wage cuts, and more "demand management" policies, and more price deregulation of essential goods used by the poor, and more regression in the tax system, et al.

This explicit and confrontational Fund posture is illustrated in the following excerpt from the Briefing Paper for the 1987 consultation mission, as cleared and approved by you in late June 1987. (You may recall that the Paper became the essential reference point, and the formal basis for our discussions with the government of Trinidad and Tobago, during the course of the mission and subsequently.)

The paper reads as follows:

"Over the . . . period [1982-85], real GDP contracted sharply, and real wages continued to rise under heavy union pressure; unit labor costs in manufacturing relative to Trinidad and Tobago's main trading partners increased at an average rate of 20% [per year]. . . .

"A further devaluation of the Trinidad and Tobago dollar is needed. . . . The mission will propose a significant initial devaluation (e.g., from TT \$3.6 to TT \$5.0 per U.S. dollar) perhaps to be followed by further small step adjustments. . . .

"The degree to which exchange rate adjustment is successful will depend to a great extent on the incomes and demand management policies pursued by the authorities. The recent fall in export income makes a significant decline in

real wages unavoidable. . . . To give full effect to the exchange rate adjustment being sought, the mission will stress the need to have exchange rate changes pass through fully to domestic prices of tradeable goods. This consideration may require a revision of the Government's price control policy which limited the increase in domestic prices of essential imported goods following the reunification of the exchange system in January 1987."

I resort to the above quotations to establish the fact that we placed extraordinary importance on the RULC; our entire case for massive and continuing devaluation, and equally massive and continuing real wage cuts, depended on what we said was happening to that index. And this is not surprising, for there can be very few instances in Fund history where such a drastic increase in domestic labor costs over such a short period as we claimed for Trinidad and Tobago, was not followed by traumatic adjustment of exchange rates and real wages alike. As responsible international financial/economic inspectors, we were well within our right to carry a particularly poignant message to the Trinidad and Tobago authorities, and to warn them, in no uncertain terms, that we and the international community that follows us so blindly and so unexceptionally, would have no option but to turn away from the country and label it "a leprosy case" in the event that they could not see fit to drink our deadliest medicine.

But there is a catch in all this—viz.: The RULC Index for Trinidad and Tobago was never close to what we were proclaiming it to be so loudly and so insistently and so definitively. What we had done over these years was to "manufacture" statistical indices—the RULC and several others—that would allow us to prove our point, and push a particular policy line, irrespective of economic realities and circumstances of the country.

Obviously, more details on just how we managed to misrepresent the RULC are needed—details of sources and statistical material and facts and figures and calculations and recalculations and Fund technical notes and Fund working sheets. And on this matter, I wish to state immediately that while I did participate in the work of all three Fund missions that visited Trinidad and Tobago between 1985-87, I did not become aware of the RULC scandal until last year, when I worked on the national income, prices, and employment sectors of the economy. Not surprisingly, it has not been very easy to decipher any exact methodology underlying the 1985-86 calculations; most of the records for these years appear to have been destroyed prematurely. Even so, I have managed to put together some key elements of the jigsaw puzzle; this gives a fairly clear picture (from the technical standpoint) of what we did in 1985-86. As for 1987, I have kept records of the various facets of our work on the RULC during the mission and subsequently.

On the basis of calculations made by our divisional statistician last year after the Fund mission returned from the field, the Relative Unit Labor Cost in Trinidad and Tobago

increased by 69% only, instead of the 145.8% as stated in our 1985 reports, and the 142.9% as claimed in the 1986 Fund documents. Between 1980-85 the RULC actually rose by a mere 66.1% instead of our assertion of 164.7% made in the 1986 reports. Over 1983-85 relative unit labor costs moved up by only 14.9%, not by the 36.9% that was mooted to the world community in 1986. In 1985, instead of rising by the 9% that we had stated in the RED and Staff Report, the RULC Index fell by 1.7%. And in 1986, relative unit labor costs slid downward spectacularly by 46.5% although there is no record of this in the 1987 report or anywhere else in official Fund documentation.

## **2. Refusing to "own-up" to the Trinidad and Tobago authorities or to the international community after our "mistakes" were exposed**

Let me come back now to what happened in 1987 after there was "internal acknowledgment" that "mistakes" were made in 1985-86. And let me say immediately that nothing happened—nothing at all. When, in the course of the mission last July, past misdeeds were pointed out, and a pledge won that we would "come good" once and for all, it was my understanding that we would make full amends during the consultation discussions with the Government, and that the mission's subsequent reports prepared for our Executive Board and for the international community would substitute revised figures for those of 1982-86. But our previous "mistakes" were never mentioned to the authorities. Privately, it was conceded that in light of the corrected RULC figures, the instruction in our Briefing Paper to try to force the government to undertake more massive devaluation now and "step" increases thereafter was really beside the point. However, in statements to the authorities, and in the Aide Memoire presented to them, issues relating to the RULC in 1985, and the latter's performance in 1986 were side-stepped, and we went on glibly to ask for more devaluation, greater public sector layoffs, further major real wage cuts, and the whole gamut of demand management measures, as if the Briefing Paper's evaluation of the RULC was still absolutely valid, and eminently relevant for July 1987.

Back in Washington, the revised RULC Index was prepared for publication in the RED and Staff Report. But it was not to be; all reference to RULC was deleted from all text, and from all tables, and from all charts. The reason for this action was obvious enough: public acknowledgment and publication of the corrected series, and demonstration of the dramatic downturn of the index in 1986, would have devastated the case for further devaluation now, and for the comprehensive and blistering demand management and wage/employment contraction measures that were being pushed down the throat of the Government, and for which we were seeking, ex post, formal endorsement from our Executive Board and, beyond our Board, from the entire international community. So, suddenly, what just a few weeks before had

been branded "the most important statistic" that we would encounter in Trinidad and Tobago, became transformed into a nauseating irritant to be dropped as a hot potato, because it could no longer fit into the economic scenario that the Fund, with increasing insistence over several years, had tried to have enacted in the country.

### **3. Getting your prior authorization for Draconian policies by feeding you false information in mission Briefing Paper**

Let me go on to the third indictment against Fund staff in their dealings with Trinidad and Tobago in 1987—i.e., the blatantly unfair portrayal of unmitigated confusion, and of governmental policies gone hopelessly astray, and becoming absolutely irrelevant, as painted in the Mission Briefing Paper dated June 29, 1987. Such a picture of accelerating macro-economic mismanagement and policy paralysis was deemed necessary so as to force you into giving approval to the mission for a mandate that would allow use of our iron fist.

#### **a) Stating the facts**

The Briefing Paper from the Western Hemisphere Department that was approved by you in late June makes the following observations:

"... Notwithstanding a downward revision of the Government's expenditure program, the overall public sector deficit rose to 20% of GDP in 1986 and was financed entirely from domestic resources, including a build-up of unpaid bills by the Government equivalent to 9% of GDP. Because of the sharp drop in oil exports, the external current account shifted from near balance in 1985 to a deficit of US\$0.7 billion (13% of GDP) in 1986. . . .

"The newly elected Government that took office in December 1986 has been attempting to design a strategy to deal with Trinidad and Tobago's economic and financial crisis. . . . Notwithstanding [the measures they took] the approved budget for 1987 implies an overall government deficit equivalent to about 20% of GDP. . . .

"To stem the losses of net international reserves by the end of 1987 and to begin to replenish the Central Bank's gross reserve position thereafter, it is estimated that Trinidad and Tobago would need to reduce its current balance of payments deficit to the equivalent of around 6% of GDP in 1987 and 2% in 1988. The achievement of this target would require a decline in the overall fiscal deficit to around 9% of GDP in 1987 and to 3% of GDP next year. . . .

"Consistent with these targets, Trinidad and Tobago is projected to need foreign official inflows (mainly from foreign banks) on the order of US\$250 million a year for the next few years. . . . It is not clear, however, that Trinidad and Tobago could secure new borrowing in the scale just mentioned, especially in view of the government's decision not to request a stand-by arrangement from the Fund.

"The mission will encourage the authorities to implement

fully the changes in wage policy introduced in the 1987 budget . . . although these revisions have been challenged on legal grounds by the public sector unions. In addition, cutbacks in all categories of government expenditure will need to be made if the large unfinanced gap in prospect for this year is to be eliminated. In this connection, the staff will discuss the means by which the large domestic arrears incurred by the Central administration last year can be paid in an orderly fashion.

"The fiscal program also must deal with the gross inefficiencies of the public enterprise sector which received sizable transfers and subsidies from the Central Administration (which transfers amount to 14% of GDP in the 1987 budget). Broad-based adjustments in public utility charges and enterprise prices, as well as wide-ranging rationalization measures and layoffs are likely to be required. The privatization or closing of certain enterprises also may be warranted."

It is on the basis of the above "facts" that the Briefing Paper went on to seek (and receive) your approval for our 1987 stance towards the country as outlined earlier. But now I must pose the question: Just how true were those "facts"?

We get an inkling of where the truth lies in the Mission's Debrief to you of July 29, 1987. Grudgingly, the following confession is made:

"... the deterioration in the fiscal accounts was less pronounced than previously estimated on the basis of unconfirmed reports of a large accumulation of unpaid government bills at the end of 1986 amounting to TT\$1.1 billion (around 6½% of GDP) over and above the recorded cash deficit of the public sector of around 9% of GDP. . . .

"Contrary to expectations, the mission found evidence that real wages declined last year for the first time since the beginning of the decade, signaling the beginning of an adjustment process and the adverse of the severe contraction in demand and output that has occurred since international oil prices began to decline in 1981-82. . . .

"The Government reduced sharply the payment of transfers and subsidies to the state enterprises sector which had amounted to the equivalent of around 10% of GDP in previous years. . . .

"Government expenditure has been held around 12% below last year and near equilibrium was achieved in central government operations in the first half of the year. . . ."

A further insight into the truth is given in the Aide Memoire of July 21. It states as follows:

"Because of tight controls on government payments, the overall fiscal deficit has been scaled back from an estimated 8.8% of GDP in 1986 . . . to a projected 5.8% in 1987 while the current account balance of payments deficit is projected to fall from 10% of GDP in 1986 to around 3.5% in 1987."

The foregoing excerpts from various documents tell two different stories. They tell, first, that the staff, for purposes already stated, was not being truthful to you in the Briefing Paper of June 29. But they also tell something of the staff's

methodology of approach in a captive country. They illustrate the way we wheel and deal and change the justification for, and the premise of our action at every twist and turn.

That methodology of approach defines yet another layer of professional dishonesty and malpractice to be investigated. It is one thing to be untruthful so as to get your permission to use the Fund's heaviest steamroller for a joyride in a Third World country when the Moon is Full; it is quite another to knock down all signposts and shelve all pretensions at road etiquette when the ride gets under way. You know, once we get in the vehicle that you give us (let us call it Steamroller, Heaviest), the moonlight takes over and does something to us; it transforms us into werewolves. And as werewolves we become something much more dangerous than slap-happy brats of Power and Influence riding slip-shod across the country.

**b) How we went about fooling you so as to get permission to use Steamroller (Heaviest) in tropical Moonlight: Falsification and cover-up before (Briefing Paper), during (Aide Memoire) and after (Debrief and Staff Report)**

The following [see chart] is a summary of statements illustrating the Lies That We Tell and How We Cover Them Up Afterwards:

Except for (1) [in the chart] I have deliberately chosen to highlight figures where the true result was already known by the Fund, or could have been made easily available to us, when the Briefing Paper was written. In the case of the current account of the balance of payments, we had in our possession a detailed balance of payments statement for 1986 as well as summaries of that statement from various documents released by the Central Bank and the Central Statistical Office. And we had full access to the 1987 detailed budget documents well before the Briefing Paper was prepared. Also, we could

have ascertained for most series latest updates from the authorities. I repeat and reiterate, therefore, that we chose deliberately to misrepresent the statistical series identified in (2) through (7) so as to get your permission to impose our highly clouded and subjective judgment and punishment on the country.

On Item (1)—the fiscal outturn for 1986—I admit readily that we did not know all the facts at the time of the Briefing Paper. In this respect, the detailed figures on revenue and expenditure needed to be checked and verified by us in the field. However, we did have a fairly good idea of the size of the deficit through the budget documents, and through reports of the Central Bank and the Central Statistical Office; all these showed the deficit, on our format, to be considerably less than 20%. Yet the Briefing Paper chose to ignore all available evidence and make a very definitive statement about the overall deficit being equivalent to 20% of GDP, and the arrears of unpaid bills to 9% of GDP. Given these categorical and unconditional “truths,” you must have found the subsequent matter-of-fact statement that information on arrears had been based on “unconfirmed reports” somewhat surprising. And why did the Briefing Paper speak triumphantly of a build-up of arrears equivalent to 9% of GDP when “unconfirmed reports” then, as referred to in the Debrief, had mentioned just 6.5% of GDP? I’m dying to know.

Although the list of items on Table 2 [not included here—ed.] is far from exhaustive, it serves to bring into focus the depth of our deception in “fixing” the Briefing Paper. Translating the GDP figures of Table 2 into money terms, the following Briefing Paper misrepresentations emerge:

- We jacked up the fiscal deficit for 1986 by TT\$1.9 billion over its actual level;
- We invented, literally out of the blue, TT\$1.5 billion of “unpaid bills,” by the Government (built up of domestic

**What We Said in the Briefing Paper of June 29, 1987**

**What We Said to the Government in the Aide-Memoire of July 21, 1987**

**What we said to you in the Debrief of July 29, 1987**

1. “The overall public sector fiscal deficit to 20% of GDP in 1986.”
2. The fiscal deficit was financed in part by “a build-up of unpaid bills by the government equivalent to 9% of GDP.”

The fiscal deficit of the public sector was only “an estimated 8.8% of GDP in 1986.”

No mention.

The fiscal deficit of the public sector in 1986 was “around 9% of GDP.”

The statement of Briefing Paper relating to unpaid bills by the Government, was based on “unconfirmed reports.” Such “unconfirmed reports” in our hand at the time the Briefing Paper was written indicated that the unpaid bills “amounted to TT\$1.1 billion (around 6½% of GDP).” Actually, they were virtually zero.



- |   |  |   |
|---|--|---|
| 3. "Notwithstanding [the measures that the Government took] the approved budget for 1987 implies an overall government deficit equivalent to about 20% of GDP."   | Table 2 [not shown here—ed.] shows the government deficit arising from the approved budget for 1987 as equivalent to 15.3% of GDP. | "On the basis of . . . measures [that the government took] government expenditure has been held around 12% below last year and near equilibrium was achieved in central government operations in the first half of the year."   |
| 4. "Achievement of the balance of payments target [of the Fund] would require a decline in the overall fiscal deficit to 9% of GDP in 1987 and to 3% of GDP next year, which is a level that could be financed largely with external resources without worsening Trinidad and Tobago's external debt position." | "The overall fiscal deficit has been scaled back to a projected 5.8% [of GDP] in 1987."  | "Government spending has been reduced well below last year's level. . . . This will result in an overall deficit of around 6% of GDP this year."  |
| 5. "Over the . . . time period [1984-85] real wages continued to rise under heavy union pressure, unit labor costs in manufacturing relative to Trinidad and Tobago's main trading partners [i.e., the RULC Index] increased at an annual average rate of 20% during the period 1982-85."                       | No mention of the RULC Index.  | No mention of the RULC Index.   |
| 6. "A further contraction in economic activity, combined with the increase in the Government's unpaid bills, resulted in a decline in private sector claims on the financial system of 7% in 1986."   | "Private financial savings [in 1986] actually declined by 4%" (Staff Report).  |   |
| 7. "The external current account deficit moved from near-balance in 1985 to US\$0.7 billion (13% of GDP) in 1986."  | "The current account balance of payments deficit is projected to fall from 10% of GDP in 1986 to around 3.5% in 1987."             | No mention is made of the balance of payments outcome in 1986.  |
| 8. Government transfers to the public enterprise sector "amount to 14% of GDP in the 1987 budget."  | No mention.  | "The Government reduced sharply [in 1987] the payment of transfers and subsidies to the state enterprise sector which had amounted to the equivalent of around 10% of GDP in previous years." The 1987 budget allocations and transfers to State enterprises was equivalent to 8% of GDP" (Table—1987 RED). |

arrears that never were);

- We augmented the approved 1987 budget deficit by around TT\$850 million over its actual level;

- We overstated the decline in private sector deposits in banks in 1986 by some TT\$250 million;

- We showed the deficit on the current account of the balance of payments as being TT\$500 million above the actual level;

- We inflated government transfers to the public enterprise sector in 1986 by some TT\$1 billion over the actual level.

These are not minor deviations due to technical factors, or sloppy calculations on our part. Nor can we plead ignorance of what was happening, or lack of available information.

#### **4. How the moonlight took over and transformed us into werewolves: Fund financial programming in Trinidad and Tobago in 1987**

So far I've been dealing with what we do to get your permission to use our spankingly exciting Steamroller (Heaviest) when the Moon is Full. But as I said before, there is another matter to be looked into, viz.: how the Moonlight transforms us into Werewolves, and how we go about Baying for the Blood of Innocent Victims all along the way. With your permission, I will turn now to this aspect of your staff's activities in Trinidad and Tobago by describing firstly, the joys and pathos of Werewolf's particular brand of financial programming.

You know, construction of a financial program—and it is our self-imposed duty to construct financial programs for all the countries that we visit—has been the excuse that we use to cover up almost every act of shame and ignominy that we commit on missions to the developing world. As you are aware, construction of a program necessarily involves an estimation of the gap between resource availability and resource use, and specification of ways and means to fill that gap. So at some critical stage in formulating the program we must decide on two things: (a) the financial resources presently available to the country, and how these resources may be augmented; and (b) the “outrageous” spending that the government wants to indulge in, and how we could roll back that spending so as to make (a) equal to (b). Sometimes we define the gap as a fiscal imbalance (or deficit), and sometimes we speak of a “balance of payments shortfall” (loss in international reserves). Really, for an open economy such as Trinidad and Tobago, it doesn't matter how we define the gap, because there is a fairly determinate relationship between the fiscal accounts and the balance of payments; adjustment in one implies compensatory adjustment in the other.

In recent times in Trinidad and Tobago we have defined the gap in terms of its fiscal manifestation and that's a big

deal, that's a very big deal. Indeed, action on our part in making such a choice represents the totality of objective technocracy that as professional economists we bring to bear on the Trinidad and Tobago economic scene. The follow-up work that we do in specifying a gap, and in proposing adjustment measures to fill it up, can best be forgotten—mercifully so. And as I say that, don't lift your hand in protest. Don't lift it because I'm not saying that the established methodology that should be used in defining a gap—the one that we teach government officials who visit the IMF Institute at headquarters on short, technical courses—is worthless. No, no, if we practice what we preach everything could come out smelling like roses. But we never do that. Certainly, in Trinidad and Tobago, as in many other developing countries, we usually do not use the correct methodology—in fact, we usually use no methodology at all except the analytical requirements to maintain the “integrity” of our brief.

##### **(a) Details of what we did in Tropical Moonlight**

The following quotations deal with issues of financial programming in Trinidad and Tobago in 1987, and our definition of a fiscal gap.

From the 1987 Briefing Paper:

“It is estimated that Trinidad and Tobago would need to reduce its current account balance of payments deficit to the equivalent of around 6% of GDP in 1987 and 2% in 1988. . . .

“The achievement of the above defined current account balance of payments deficit target would require a decline in the overall fiscal deficit to around 9% of GDP in 1987 and to 3% of GDP next year . . . which is a level that could be financed largely with external resources without worsening Trinidad and Tobago's external debt position. . . .

“Given the size of the current fiscal imbalance (around 20% of GDP) a broad range of adjustment measures will be required to achieve the proposed public sector target.”

From Aide Memoire of July 21, 1987:

“. . . It is projected that Trinidad and Tobago will confront large external and domestic gaps on the order of 3% of GDP per annum during the period 1988-92. . . . It is unlikely that refinancing or new borrowing can eliminate all of the financing gap projected over the medium term, if Trinidad and Tobago's external debt position is not to deteriorate from its present level. Therefore further adjustment measures, over and above the policy action contemplated in the government reconstruction program, should be introduced involving changes in external sector, fiscal and monetary policies.”

From 1987 Staff Report:

“The mission has prepared a medium-term scenario for the balance of payments and central administration operations on the basis of economic policies now in place [i.e., excluding the impact of intended policies as detailed in (1) of (2) above]. . . . The exercise incorporates targets for the replenishment of the Central Bank's gross international reserves to a level equivalent to 5 months of imports over the next 2-3 years.”

Review of the above statements tells us in no uncertain terms that the 9% of GDP total public sector deficit for 1987 that the Briefing Paper was aiming to achieve through use of our Steamroller (Heaviest) was in fact scaled back to under 6% of GDP by the Government through non-devaluation adjustment measures that had been put into place well before the mission arrived. Of course we were shocked and dismayed to discover that the Government could have found it possible to adjust the economy thus without our intervention.

#### **b) Stiffening the targets**

What exactly did we do when we found that the Trinidad and Tobago authorities had already achieved the adjustment in the fiscal accounts that we were going to get them to achieve in our own peculiar way?

Well, we stiffened the targets that you had approved in the Briefing Paper, and that we were supposed to ask the authorities to achieve on the basis of the somewhat fictitious figures that we had presented to you.

In stiffening the targets we went to them and said something like this: "Our detailed research tells us now that the 3% of GDP deficit that we had mentioned before for 1988-92 is no longer acceptable; you must reduce it further. And have no fancy idea of reducing it further on your own. No, no, you have to let us dictate to you what to do; you have to leave room for us to use the Steamroller (Heaviest)."

Now before coming to the question of how we would make them to reduce the 3% deficit further, let's look at the authenticity of our initial claim that a 3% deficit would be unsustainable in the years immediately ahead.

We justified the latter claim with the following arguments: (i) such a deficit (of 3%) would entail a deterioration in the foreign debt situation; and (ii) it would not allow achievement of a reserve target of 5 months of imports (6 months in the Staff Report).

**(i) Deterioration in foreign debt situation.** We never did define to the authorities what we meant by this statement. What really were we after? Was it stabilization in the debt service ratio, or stabilization of annual amortization payments, or stabilization of debt outstanding in relation to GDP? Was it a halt to the worsening of average terms, or a lengthening of average maturities? Why say? Nobody asked us to define anything; we had no explanation to give to anyone. What was evident, however, was that on the basis of outstanding debt and debt structure at the end of 1986, there remains considerable scope over the next three to four years, and taking into account the possibility of rescheduling, for net inflows equal to, and indeed exceeding 3% of GDP without deterioration in any of the debt indices identified above.

**(ii) Accumulating international reserves equivalent to five months of imports (Aide Memoire of July 21, 1987) or six months of imports (Staff Report of Sept. 25, 1987).** I want to ask a question. It is this: What developing country on earth going through the economic trauma of Trinidad and Tobago, and starting from a stock of almost zero reserves,

would want to subject its people to more and more unemployment and hardship and deprivation for the sake of holding surplus and redundant funds on deposit in U.S. and European banks and in doing its bit (in Fund parlance) to finance the U.S. deficit? What other country on earth, placed in Trinidad and Tobago's hapless and worsening economic plight, would choose to sow dragon's teeth of social unrest and civil disturbances and political chaos so as to be able to accumulate U.S. and European and Japanese Government bonds, not in pursuit of a policy of efficient management of a needed reserve portfolio, but merely to satisfy your staff's pique? What other impoverished country that had just seen a 20% cut in real wages would invite another 20% cut for the pleasure of helping to restore what you may choose to call "global balance" or "international financial orderliness" in a grossly inequitable and highly biased and disorderly world economic system? I will not address these broader issues now, but I want to point out that your staff's delimitation of a gross and net reserve target (gross and net reserves are virtually the same in Trinidad and Tobago since there are no significant reserve liabilities) at a time when the country is living from hand to mouth, and finding greatest difficulty to make ends meet on a day-to-day basis, savour of being a sick joke.

Let's make some comparisons with other CARICOM countries. In Jamaica where we have pumped over US\$500 million of our own money during the last eight years, net reserves are still highly negative, and in Barbados—which partly through our endeavors, continues to have reasonable recourse to international money market—liquid net reserves is about US\$60 million (or 1.5 months of imports)—some-what less than what that country borrowed from international commercial banks last year.

Or perhaps it is fairer to make a comparison with other oil exporting countries? Let's look at Nigeria (which had a stand-by program with the Fund and which is far richer in oil than Trinidad and Tobago). Net reserves there remain about two months of imports. In another oil exporting country, Ecuador, where we have a high visibility stand-by, net reserves in relation to imports are even less than in Nigeria. For all developing countries as a whole—excluding the Middle Eastern countries, Venezuela, and Mexico, China, India, and Indonesia and a few other traditionally large reserve holders such as South Korea and Taiwan—net reserves in 1986 represented little more than about one month of imports. But for Trinidad and Tobago in its present economic predicament we are asking for six.

### **5. Dismissing the government's own program: It conflicts with a more irresistible cause**

The less-than-three-percent fiscal deficit requested in the Aide Memoire (we are now squeezing more blood from them than you authorized us to squeeze in the Briefing Paper) became weighted down with a new caveat, viz.: It must

exclude any deficit reduction that the Government itself may achieve over 1988-90 through measures initiated on its own. In other words, "further adjustment measures over and above the policy action contemplated in the government's reconstruction program" must necessarily be put into place (i.e., Steamroller Heaviest must be activated); nothing the government can conceivably do can stop that.

Let's look at the "policy of action contemplated" that under no set of circumstances could save the country from the fate of Steamroller Heaviest. In this respect, the Aide Memoire stated as follows:

"The mission understands that the new government is committed to a medium-term program of adjustment and recovery in response to the economic crisis facing the country. Although many details of this program are yet to be defined, it appears that the government's medium-term economic strategy involves the following key elements:

"1. A reduction and rationalization of public sector operations in the economy through a reduction in levels of employment and wages, the redeployment of some existing personnel, and a reorganization of the state enterprise sector involving recapitalization, divestment, and possibly liquidation; and

"2. The promotion and reactivation of petroleum production, agriculture and tourism through an increase in private, public, and foreign investment and fiscal incentives involving changes in the petroleum tax regime and reforms in the domestic tax structure and its administration."

Well, wouldn't this policy package, even if implemented somewhat sporadically over the next three years, serve to reduce the deficit, perhaps even significantly? After all, they define a set of fairly comprehensive fiscal measures (when you add to them the work being done on tax reform as part of the Government's "intended program"). Necessarily, any analysis with pretensions to objectivity would have started by quantifying with the authorities the likely fiscal impact of the Government's own program over the relevant programming period, in relation to "gap" targets on which some sort of basic consensus regarding magnitudes had been arrived at between the authorities and the Fund.

But we never even dreamt of following this procedure in Trinidad and Tobago. To do so would have been tantamount to putting the final nail in our coffin, in so far as Steamroller (Heaviest) was concerned. For if on top of the RULC's highly improved performance, we were to discover that the authorities had the beginnings of a viable program to keep the fiscal deficit in line with available financing, we would have had to return to Washington with our tails between our legs. Such a course was absolutely unthinkable; the Fund never works that way. So we steadfastly ignored the authorities' protestations that they had started on a track of major adjustment and reconstruction and that, in their view, there was a realistic alternative to our Deadly Medicine.

Of course we knew how to tell them to keep their program to themselves in a nice and polite way; in the Aide Memoire

we insisted that "The Fund mission generally supports the thrust of the Government's economic strategy and policy initiatives . . . but believes that those policies do not go far enough in addressing the country's economic problems and in laying the basis for sound economic recovery."

And having thus made room for himself, Werewolf jumps on his Steamroller (Heaviest) and starts running amok. Most of the policy sections of the Aide Memoire and the Staff Report outline details of the Fund's Deadly Medicine as the only way out for Trinidad and Tobago, inclusive of massive devaluation, total freeing of the trade and payments system, escalating interest rates and domestic prices, rapidly falling real income of the poorest of the poor, massive job retrenchment in the public service.

In Part IV of this Letter the generic "whole works" scenario of the Fund, and the interlocking elements of Steamroller (Heaviest) that we were setting up for Trinidad and Tobago are reviewed at some length. Here it is enough to reiterate that we made it very clear to the authorities that nothing else but Our Deadly medicine would do, irrespective of the rationality and relevance of any and all alternatives that would dare to take into account social factors (including the need to distribute the burden of adjustment in some equitable fashion among differing sectors of the population), and political susceptibilities. If there is anything that we can learn about ourselves from our activities in Trinidad and Tobago, it is that we will never tolerate even the slightest deviation from our purpose.

## **6. Statistical monkey-business once again: Real Effective Exchange Rate and the Terms of Trade**

I must quote now from the 1987 Staff Report to show exactly how we managed to "sew up" the case for devaluation by asking Trinidad and Tobago once more to stand absolutely still for our convenience as we did sleight of hand on other statistical series—this time, the Indices of Real Effective Exchange Rate and the Terms of Trade.

I quote as follows:

"While recognizing that a significant real depreciation of the currency had occurred since late 1985, the staff noted that the external value of the Trinidad and Tobago dollar was still around 10% higher in real effective terms than in 1980, while the external Terms of Trade had declined by about 50% since that time."

I have a question. It is this: Why choose 1980 as the base year from which to chart the most recent movements in the effective exchange rate and the terms of trade? What is the rationale for this procedure?

Well, we can get a fairly definitive answer by looking at the chart on page 22A. That chart shows that from the last quarter of 1981 through November 1985 the effective exchange rate rose precipitously by 45%. However, the devaluation of December 1985 sent it tumbling down by over 30%. And reflecting the fact of continuing depreciation of the U.S.

dollar, to which it is pegged, the TT dollar continued to depreciate further, with the real effective exchange rate falling by an additional 8.6% between January 1986 and July 1987.

With this little bit of history in mind let's return to the question: Why choose 1980 as the base year to chart rises or falls in the effective exchange rate?

The answer is simple—we had to; we just had to. We had to because any base period after 1980 would have shown a decline in the real effective exchange rate of the TT dollar as of today, or as of mid-1987, or whatever. And of course we could never afford to show a decline in the Index; that was absolute anathema.

It was anathema because to do so would have demolished entirely whatever remaining case we thought we had for more government-induced devaluation. In the circumstances, come hell or high water, we had to “prove” that the effective exchange rate had risen—from the last century, if need be. Luckily, 1980 intervened and saved our skin.

Really, in a comparison of this nature, probably the most relevant base period would be the year when oil prices began the secular fall that was to culminate in the dramatic denouement of 1986. That beginning year, of course, was 1982. Alternatively, a case can be made out for using the year immediately preceding the start of the oil bust (i.e., 1981) on the reasoning that this was the last full year of undiminished prosperity, with all systems still on “go” and with both real expenditure and real GDP still rising. Use of 1981 as the base year would show that the TT dollar's real effective exchange rate as of June 1987 had declined by 5%. If 1982 is used instead, the decline escalates to over 16%. Hardly a case for further, government-induced devaluation on the basis of a secular appreciation of the real effective exchange rate!

The same reasoning is applicable for the terms of trade, which can be defined as just a fancy way of saying what everybody knows—i.e., that the price of oil, which accounts for 80% of the country's merchandise exports, fell progressively after 1981, while the price of imports rose somewhat, or remained relatively stable. During 1982-85 (before devaluation occurred) the terms of trade went down by less than 10%, but in 1986 it fell by around 40%, reflecting a drop in the unit price of oil of a similar magnitude. Over the last two years or so, the terms of trade have improved modestly from the trough of 1986.

Large and somewhat discordant movements in the terms of trade, as experienced by Trinidad and Tobago in recent years, cannot constitute a case for further devaluation. On the other hand, they signal a special need for international financial assistance, and we do have within the Fund—theoretically at any rate—a somewhat non-conditional facility (the Compensatory Financing Facility) to help countries in such a predicament. Will we allow Trinidad and Tobago to draw on this facility? We have continued to say no. We have continued to say, “devalue first, and enter into a commitment to have a stand-by with us. Let Werewolf draw blood before

anything good internationally can begin to happen to you.” But I have a feeling that the Fund may want now to review its stance on this matter, in spite of the instructions in the Draft Brief for the June 1988 mission.

## **7. Implications for Trinidad and Tobago of our statistical trickery during 1985-88**

It behooves me at this stage to summarize briefly the implications for Trinidad and Tobago of our multi-dimensional statistical trickery as described so far in this Part of the Letter. And in this respect, let me say at once that what we did, had a direct and absolutely critical bearing on the country's capacity to cope effectively with the myriad economic problems that surfaced after 1982 (precipitated by secularly declining oil prices) and that turned into an avalanche of all-inclusive woes (after the dramatic oil price collapse in 1986).

Even in vastly reduced economic circumstances and with international reserves dwindling, the country opted to remain a Fund creditor under our Designation Plan until towards the end of 1986. Such a tactic was heroic or foolish, or both. At any rate, with its “graduation” from World Bank loans, and with virtually no bilateral aid programs from donor countries, the only scope for easing the burden of domestic adjustment through use of foreign savings lay in a phased program of prudent recourse to international capital markets. The scope for such recourse was considerable, given Trinidad and Tobago's relatively low debt service ratio and quite modest stock of outstanding external debt relative to GDP.

During 1984 and early 1985—there was no Fund mission to Port of Spain in 1984 and therefore we could not, over that period, articulate credibly to others our policy stance for the country—the authorities did in fact manage to achieve their foreign borrowing targets; this served to give a much needed breathing space for effecting a range of fiscal and demand management policies consistent with norms of social justice and economic equity, including some measures to protect the poor and the underprivileged sectors of society.

Alas, our subsequent decision to start anew a virulent campaign of misinformation and statistical misrepresentation, so as to force the government into submission, resulted—as we fully well knew it would—in the sudden and dramatic freezing up of virtually all foreign funding. In turn, this has served to create a situation where the country finds it difficult to restore a semblance of financial balance, much less set its sights on the resumption of economic growth. In punishing Trinidad and Tobago for not biting the bullet, we have equally forced it to operate within a set of economic and financial parameters that not only rule out an international cooperative effort on its behalf, but subverts the logic of the marketplace by constraining severely the operations of international money markets in the country. In actual practice, the choice that we have given the government is either to accept our Deadliest Medicine or to go it alone as an international outcast. Either way, the consequences are accelerating economic chaos and ultimate social disintegration. (. . .)

## Mikhail Gorbachov tips the balance

by Linda de Hoyos

It is highly appropriate that the January visit to Moscow of Henry Kissinger, should become the occasion for a breakthrough in the condominium of "regional deals" Moscow has attempted to place over the globe. The contents of Kissinger's talks and chessboard moves indicate that the "offers" posed by General Secretary Mikhail Gorbachov at the United Nations in December and at the city of Krasnoyarsk, Siberia, in September, have been acted upon.

Kissinger arrived in Moscow as a representative of the Trilateral Commission, an entity that in Kissinger's eyes, as he informed former Mexican President José López Portillo, "runs" the United States. Kissinger delivered a letter to Gorbachov on behalf of then-President-elect George Bush, and according to a Tass report cited by Reuters, the two discussed international relations, bilateral ties, and "some considerations on the development of Soviet-American relations, which were set forth by Kissinger on behalf of U.S. President-elect George Bush." A second meeting with Gorbachov followed, in which the two were joined by former French President Valéry Giscard d'Estaing and former Japanese Prime Minister Yasuhiro Nakasone.

The Soviets took the occasion to announce their intention to carry out broad cuts in their military deployments. In Vienna, Soviet Foreign Minister Eduard Shevardnadze informed West German Foreign Minister Hans-Dietrich Genscher that the Soviet Union "will withdraw from Central Europe military formations and units with all their organic armaments, including tactical nuclear systems."

Meanwhile in Moscow, Gorbachov informed the Trilateral Commission delegation that the Soviet Union intends to cut approximately 12% of its troop strength, 14% from its military budget, and 19% from its defense production capabilities. Gorbachov also stated that, with respect to his uni-

lateral troops cuts, 200,000 would be pulled from the eastern district (Far East); 240,000 from the west; and 50,000 from the south. He also reported that the Soviets were prepared to begin phase two of withdrawals from Mongolia, including the removal of air force units—a key demand from the People's Republic of China as a precondition for the full normalization of relations between Beijing and Moscow.

Kissinger then met with Warsaw Pact commander Viktor Kulikov, to discuss the troop reduction plan. However, despite the fanfare, Soviet plans remain vague, as Kissinger put it. Although Soviet Deputy Defense Minister Vitaly Shabanov had told Austria radio Jan. 16 that Russian troop withdrawal from Eastern Europe would begin in April, he was later corrected by Foreign Ministry spokesman Gennadi Gerassimov, who reported that Moscow's troop withdrawal plan would only be "prepared" by April, not executed. And, as each day passes, Soviet plans become vaguer. London *Daily Mail* correspondent John Dickie Jan. 18 asked Shevardnadze to specify how many tactical nuclear weapons the Soviets would be destroying; the Soviet foreign minister refused to give answers, stating, Russian-style, "All this will be made public, but not now."

Despite the strategic deception involved from the Soviet side, such "offers" represent the Soviet steps in the intricate diplomatic maneuverings necessary to pin down the details on "the new era" in which the Soviet Union and the United States are no longer to perceive the other as the enemy, but in which the two superpowers stand united against third parties—notably the underdeveloped countries. The newly appointed ambassador to West Germany, Vernon Walters, was quoted as advocating this in a recent issue of the Paris review, *Lettre d'Afrique*.

On the Western side, the *quid pro quo* to Moscow's

“offers” to Kissinger et al. came from Asia.

### **America to take a back seat**

A view of the future for the American presence in Asia was presented by Kissinger, in his “Memo to the Next President” published in *Newsweek* Sept. 19, 1988. “The balance of power in Asia involves the United States less directly than in Europe,” Kissinger stated. “. . . In Asia, Korea excepted, no American troops are in the front line. In the 90s, two balances of power will exist in Asia: between China, Japan, and the Soviet Union in Northeast Asia; and between Japan, India, and (to some extent) the Soviet Union in Southeast Asia. The American role with respect to these two balances should be similar to Britain’s historical stance vis-à-vis the European continent: we are the guarantors of the equilibrium. . . . Such a policy has to be carried out despite the fact that we may not be able to count on our Philippine bases over the next decade, and that we will need to restructure our forces and command arrangements in Korea.”

Aside from the general view that the United States will withdraw itself as a “power” in Asia, the above paragraph is significant for the fact that it virtually takes for granted the removal of the American military presence in the Philippines and on the Korean peninsula. Far from the “vagueness” of Gorbachov’s offers, the removal of the U.S. troops or nuclear umbrella from the Republic of Korea and the removal of the U.S. bases at Clark Field and Subic Bay in the Philippines have very well-known and dire strategic consequences.

Yet, it is on those issues that the United States, through its allies, appears prepared to match Gorbachov’s diplomacy.

The cue came first from Philippines Foreign Minister Raul Manglapus. In a foreign-policy speech in Manila, Manglapus predicted the withdrawal of both superpowers from the region. “The United States and the Soviet Union could even be now drawing up their own separate timetables for a withdrawal of military installations from this region.” Announcing that the Philippines government is already preparing for the conversion of the bases to civilian use, Manglapus said: “Our own Department of National Defense as well as various U.S. officials have issued alerts to that possibility.”

It is the case that Manglapus issued his prediction on the occasion of a visiting Soviet delegation to Manila. A day before Manglapus’s speech, Philippine Defense Minister Fidel Ramos (the U.S. embassy’s current choice to succeed Corazon Aquino) met with Soviet Colonel General Lobov, first deputy chief of the Soviet general staff. The meeting was reported to be the first high-level military contact between the Soviet Union and the Philippines, a strong U.S. ally. Manglapus further announced that he would be going to the Soviet Union soon to prepare for a spring visit by Philippines President Aquino.

However, such visits by the Soviets, carrying out “confidence-building measures” in Southeast Asia, where other-

wise the Soviet backing for Vietnam has not made the Russians welcome, is only the appropriate backdrop for Manglapus’s statement. Manglapus’s career has been strongly tied to the United States since his days under Ramon Magsaysay, the former President close to Edwin Lansdale; such ties remain strong through Manglapus’s association with Ambassador Robert White’s Center for International Development Policy. Manglapus’s references to the U.S. bases at Clark and Subic do not reflect the bilateral relations between the United States and the Philippines, but U.S. reactions to the September offer of Mikhail Gorbachov that the Soviet Union might withdraw from its “usage” of bases at Cam Ranh Bay in Vietnam, if the Philippine bases were to be dismantled.

The idea is definitely in the Southeast Asian air. In an interview with the *Manila Chronicle*, Singapore President Lee Kuan Yew, who has emphatically and publicly stated his belief that the bases are a strategic requirement for Asean defense, asserted that Southeast Asia is now preparing for the withdrawal of the U.S. bases in the Philippines “in the not too distant future.” Last year’s protracted negotiations on the bases prepared the nations in the region for further difficult negotiations and “maybe even an unfavorable outcome,” Lee said. The view of Philippines Foreign Minister Raul Manglapus that the U.S. bases are “stunting” his nation, “is a fundamental point, not a tactical or bargaining point,” Lee said. “So we have been emotionally prepared for an end to the bases in the not too distant future.”

The *London Times* reported that an ASEAN spokesman noted that Lee’s statements did not mark an end to Singapore’s support for the bases, but the U.S. is considered a declining power in the region, and the ASEAN nations want the power vacuum filled “smoothly” by the new power, Japan. Lee said he did not think the U.S. would make a total withdrawal from the Pacific. “That would arouse great consternation. Every country would then have to reassess its position. . . . [But U.S. forces will likely be redeployed] to less strategic or less convenient locations.”

### **The Korean imbalance**

Military negotiations are also moving apace on the Korean peninsula. Amid rumors that South Korea and the United States will reduce the scale of their annual “Team Spirit” military maneuvers, as per demands from North Korea, on Jan. 16, senior American and South and North Korean military officers held secret talks to fix an agenda for reducing tensions along the North-South border. It is the first time since the 1953 truce ending the Korean War, that delegations from the North and from the U.S.-led United Nations Command have met in closed session without prior announcement.

At the same time, South Korean President Noh Tae Woo predicted that he would be meeting with North Korean dictator Kim Il-Sung in a summit “in the not too distant future.” On Jan. 16, North Korea bowed to Soviet pressure and pub-

licly agreed to hold border talks with the South. The border talks are to prepare the way for a meeting of the prime ministers of both Koreas.

There is an acute imbalance, however, in the progress of the Korean peninsula talks. The "Northern Policy" of Noh Tae-Woo is centered on ending the isolation of Pyongyang and using the South's economic might as the leverage to reunite the divided peninsula. Despite the preponderance and offensive posture of North Korea's armed forces over the South, Noh Tae Woo has placed no military pressure on Pyongyang. From the North and from Moscow, however, the demands are repeatedly issued that the U.S. must remove its 40,000 troops from the South, end the Team Spirit exercises, and withdraw strategic defense from the peninsula.

These demands have become a point of discussion in the South. In a September bilateral security conference, American Lt. Gen. John Cushman declared that it is time to dispense with the nuclear weapons issue "by making the flat statement that nuclear weapons are no longer necessary for the defense of [South] Korea—and acting accordingly"—that is, removing the U.S. nuclear weapons assumed to be in the South. "It is time to dismantle the obsolete structure of weapons storage, special-weapons support teams, emergency-action consoles, and permissive-action links that have been put in place over the past 30 years," Cushman said. "It exacerbates North Korea's tendency to reckless behavior, it is not needed to deter them from invasion, it raises justifiable anxieties in the South, and the actual use [of them] would be an appalling catastrophe even to the victor."

This pronouncement of peace-through-weakness was endorsed at the conference by Amos Jordan, of Kissinger's Center for Strategic and International Studies. Cushman's call is the substance of Kissinger's assertion that the United States will "restructure our forces and command arrangements in Korea."

### **Peace marches on**

In Southeast Asia, the predictions coming from ASEAN's Manglapus and Lee Kuan Yew to prepare for the evacuation of the U.S. from the Philippines is combined with strides taken over the course of January to settle the ten-year-old Cambodian conflict. The major actors in that diplomatic drama indicate the powers that will dominate the region: the Soviet Union and the People's Republic of China.

On Jan. 14, Vietnamese Deputy Foreign Minister Liem arrived in Beijing for the first direct talks between Vietnam and China in over nine years. His current trip is preparation for a visit to Beijing by Vietnamese Foreign Minister Nguyen Co Thach.

It is believed that the way might have been prepared for such talks on Jan. 11, when Thach told visiting Thai Foreign Minister Siddhi Savestila that Vietnam was prepared to pull its troops out of Cambodia by September 1989—moving forward Hanoi's target date for withdrawal by three months.

However, as reported by various wire services, an agreement for China-Vietnam direct talks was reached during hallway discussions between Soviet Foreign Minister Eduard Shevardnadze and Chinese Foreign Minister Qian Qichen, Jan. 9 at the chemical weapons conference in Paris. Moscow is extremely anxious to provide a timetable for Vietnam withdrawal, as per China's preconditions for a Sino-Soviet summit.

Also in Paris, Qian Qichen met with Prince Sihanouk, the leader of the non-communist resistance forces against the Vietnamese-backed Phnom Penh government, and also met with leaders of the Khmer Rouge, whom he reportedly asked to be "more flexible" in dealing with negotiations.

With the backing of the United States, Thailand has also acted to play a mediating role in the Indochina conflict. In stunning moves over the last month, Thailand has sent its foreign minister to Hanoi, and in late December, Prime Minister Chatichai Choonhavan announced that he had invited Phnom Penh Prime Minister Hun Sen to Bangkok, although there are no diplomatic relations between Phnom Penh and Bangkok. That invitation was promptly accepted. Hun Sen will be arriving in Thailand Jan. 21. The visit was arranged by Thai Army Commander-in-Chief Gen. Chavalit Yongchaiyudh during a visit to Laos last week; Chavalit had secretly met Hun Sen in Laos in October 1988.

Interestingly, the visit will overlap that of Chinese Defense Minister Qin Jiwei, who arrives in Bangkok for a ten-day visit Jan. 20. This visit was also arranged by Chavalit, who otherwise is known to have extensive ties to Thailand's leftist Revolutionary Council.

The entire projected settlement for Indochina is to have the financial backing of Japan. In Paris, also for the chemical weapons conference, Japanese Foreign Minister Sousuke Uno met with Prince Sihanouk, who would presumably be the nominal leader of a refurbished Cambodia. Uno pledged that Japan would exert economic pressure on Vietnam to force its withdrawal from Cambodia, and also said that Japan would grant Cambodia and Laos \$12 billion in aid, if there were a settlement, and another \$1 billion to Vietnam. Soviet aid to Vietnam is approximately \$1 billion annually.

There have as yet been no substantial guarantees forthcoming from the People's Republic of China to ensure that the genocidal Khmer Rouge does not launch a civil war to take full power in Phnom Penh once the Vietnamese troops have left the country, nor is there agreement among the four Cambodian factions on the face of a new government. But the appearance of a Cambodia settlement is a crucial ingredient in Moscow's overall Asian gameplan: to exert its power over Asia through a full normalization of relations with the P.R.C. and to weave the environment of deception that will lead to American acceptance of the Gorbachov offer for the removal of the U.S. bases in the Philippines. With that, Moscow will have managed to decisively break the U.S. strategic defense line in Asia.



# U.N. takes up cause of Peru's terrorists

by Gretchen Small

Reports that Peru's savage Shining Path narco-terrorists have launched an international organizing campaign to protect their "civil liberties," confirm the evaluation of those in Peru who warn that the terrorists are preparing to launch their "final offensive" within a matter of months. The terrorists view international pressure against the Peruvian Armed Forces and government as the crucial margin of force required for their ultimate victory, and a key step toward recognition of their planned government.

On Jan. 16, the West German news agency DPA reported that the former editor of Shining Path's newspaper, *El Diario*, Luis Arce Borja, has been invited to attend the United Nations' upcoming 45th session on Human Rights in Geneva. He is touring Europe, denouncing a "systematic curtailment of freedom of the press" in Peru, and government violation of human rights. Arce is no mere radical sympathizer, but a hardcore member of Shining Path's command structure. His newspaper, published freely for years, is selling on newsstands throughout the country, precisely through the support of the international "human rights" lobby.

*El Diario* not only hails the "successes" of Shining Path's extermination squads in blazing headlines, but publishes hit orders against targeted individuals and provides the terrorist killers with an above-ground communication network. Yet every proposal to shut the paper down, or even to investigate its editorial staff, provoked howls that the government was violating "freedom of speech" from liberal journalists ranging from the *New York Times* to Lima social democrat César Hildebrandt.

Arce's July 1988 "exclusive" interview with Shining Path founder, Abimael Guzmán, alias "President Gonzalo," from a clandestine location, proved too much, however. After *El Diario* published that interview for the fifth time, the paper was finally shut down by the government. Arce spent a few weeks in jail, but now, it appears, enjoys the protection of the United Nations.

## Plans for the final siege

According to intelligence leaks published by the Peruvian weekly *Caretas* on Jan. 16, some Peruvian authorities believe Shining Path strategists have set the month of June as the target-date for a plan to lay siege to Lima. The plan is to cut the capital, where one-third of the country's population lives, off from all supplies and services, such as electricity

and water. These sources believe that several recent Shining Path operations have been test-runs for this June plan.

Whether the June date is accurate or not, Shining Path has dramatically stepped up its military capabilities in the past two months. In the first 12 days of January alone, they murdered 33 policemen around the country, including both the chief of police and the head of the anti-terror division in the department of Arequipa.

Shining Path has now established operations in a new area of Peru, the department of Madre de Dios, an unpopulated jungle area which borders on Bolivia and Brazil. Defense Minister Enrique López Abujar reported on Jan. 3. Several squads have moved out of Cuzco and the Central Huallaga region, he stated. For three years, *EIR* was one of few voices internationally which insisted that Shining Path had to be fought as a narco-terrorist operation. The marriage between the Shining Path and the narcotics mob is now uncontested, the *Wall Street Journal* reported Jan. 17—after the terrorists have established hegemony in the drug-centers of the country.

"The evidence now is overwhelming that the insurgents control the region [of the Upper Huallaga Valley] and work closely with cocaine producers," the *Journal* reported. Gen. Luis Toledo, head of anti-drug operations for the National Police, believes that Shining Path takes some 10% of the earnings of each cocaine base shipment out of the region—which, if true, puts their earnings in the range of \$150 million a year. (Bankers are also regular visitors to the cocaine region, in search of money, U.S. Drug Enforcement Administration officials told the *Journal*.)

Peru is "currently in an advanced state of disintegration," the *Journal* concluded, and added that "a military coup or some other upheaval may be imminent." Indeed, many international media are now trumpeting that there is the danger of a military coup, with ABC News on Jan. 18 naming a Peruvian coup as the likely first foreign policy crisis to hit the Bush administration.

As things are now headed, the military coup just may be carried out by narco-terrorist armies first. Army Gen. Clemente Noel Moral (ret.) summed up the crisis when he warned on Jan. 8 that the terrorists have reached the "insurrectional stage." Three phases now follow, he told the Peruvian daily *Expreso*: First, "the generalization of violence," in which sabotage and terrorist acts intensify. The second phase will see the "creation of zones under their control and the appearance of a revolutionary government." This phase "requires international support and recognition." Once that is achieved, comes the "general insurrection."

Noel also issued a reminder much ignored in Washington: Insurrection in Peru is no local matter, but reflects a decision made by "international communism at its highest level. . . . The subversive war has been conceived by the promoters of political violence as the principal instrument of communist revolutionary war."

# The mole who confessed

by Allen Douglas

In previous issues, *EIR* has chronicled the activities of one of New Zealand's more notorious public figures, the multimillionaire (several hundred million at last count) real estate speculator, boxing promoter, and sometime-politician Bob Jones. As we demonstrated (*EIR* Sept. 5, 1986, and Oct. 21, 1988), Jones rigged the 1984 New Zealand national elections to the benefit of the Soviet Union.

Together with an associate, Gordeon Dryden, a former member of the New Zealand Communist Party and longtime agent of the Third Department of the KGB, Jones set up the "New Zealand Party" solely to siphon votes from the conservative-oriented National Party and bring the pro-Soviet Labour Party to power.

Within months, Labour forced the cancellation of the ANZUS defense alliance among Australia, New Zealand, and the United States, and instituted the Soviet-designed South Pacific Nuclear-Free Zone.

## New Zealand Roundtable exposed

*EIR*'s exposés, reprinted in tens of thousands of copies all over New Zealand, have taken their toll on Jones and his "mates" in the New Zealand Business Roundtable, a gang of ostensibly "right-wing" but in reality, pro-Soviet businessmen who are sponsors of the present Labour government and its nation-wrecking policies.

In an attempt to defend themselves, the Roundtable's de facto house organ, the *National Business Review*, ran an article in December with the banner headline, "Those KGB Agents, Sir Ron and Bob Jones."

After noting that *EIR* was associated with Lyndon LaRouche, who headed a "bizarre but powerful political group in the United States," the NBR complained, "Not for the first time Douglas says New Zealand is being destroyed by a coterie of KGB plants working in cohorts with the financial elite, which centers on Business Roundtable. Sir Ron Brierley [multimillionaire owner of New Zealand's second largest company, the asset-stripping Brierley Investments Limited] and Sir Ron Trotter [Roundtable chairman and head of the country's largest company, Fletcher Challenge] are party to the plans to bleed the country dry then hand it over to the Russians. Bob Jones comes up for mention . . . as a closet communist and election rigger."

Many New Zealanders would agree with that formulation, as Bob Jones and the Roundtable are well aware. So it was lawful that Jones would follow up with a furious half-page reply in several of New Zealand's largest papers in late December and January, including the *Evening Post* in New Zealand's capital city of Wellington, and the *Christchurch Star*, in the largest city in New Zealand's South Island.

The *Christchurch Star* article featured small photographs of Trotter, Jones, and Roger Douglas (New Zealand's recently sacked finance minister and Roundtable front man) over the caption "LaRouche's conspiratorial triad," together with a dominant (over one-eighth page) photo of LaRouche, with the caption, "Lyndon LaRouche . . . branded Bob Jones a KGB agent."

## Detour through the KGB?

Jones's article, entitled "Mole Who Came In from the Cold," is an attempt to deflect *EIR*'s charges by admitting them, tongue in cheek, as in the following:

"Well, I don't know about Sir Ron's and Roger's activities, but I do know I'm perfectly capable of doing my KGB spying without assistance, thank you, and furthermore, knowing both Trotter and Douglas I am equally sure they are quite competent to execute their orders from Moscow without any help from me."

But most remarkable is Jones's attempt to rationalize his early-morning presence in the KGB's headquarters in Moscow a couple of months ago, to which the title of his article referred:

"I don't know what spawned this latest outburst unless LaRouche has a few spies of his own in Moscow. If so, then therein lies the probably [sic] explanation, for they would have spotted me emerging from KGB headquarters a couple of months back at an ominously early hour in the morning and furthermore, engaged in a suspiciously friendly dialogue with a Soviet army officer.

"Here's how it happened.

"To avoid the record heat that hit Moscow this recent summer, while there for a few days, I got the habit of rising at dawn to go for my daily run.

"One morning I took a different route off the main avenues and wound my way through a series of narrow old back streets. After half an hour I was lost. Finally I came to the back of a distinctive modern building which I recognized as the KGB headquarters, it being fairly well known because of its prominent location and also because it's one of the few decent-looking modern buildings in Moscow. So I bowled in the back door and made my way through to the front foyer where I encountered an army officer who came out on the street and gave me directions.

"Now, if LaRouche's Moscow spy was photographing this from a secret location across the road I can well imagine his concern."

You said it, Bob.

# Solarz zeroes in on South Asia

by Susan Maitra

Rep. Stephen J. Solarz (D-N.Y.), chairman of the House Foreign Affairs subcommittee on Asia and Pacific Affairs, has recently completed a marathon tour of South Asia—from Dhaka to Delhi to Islamabad and back to Delhi, Agra, and Amritsar in Punjab. Since the bought-and-paid-for agent of the U.S.-based Zionist mafia has made his mark in other parts of Asia, notably the Philippines, as a Trojan Horse for gross outside interference in the internal affairs of sovereign nations, it is pertinent to ask just what kind of nasty operation is afoot.

Bangladesh, it appears, is the immediate target. “I would of course very much like to see the establishment of a genuinely democratic government in Bangladesh, which can only be achieved through the holding of free and fair elections,” was how Solarz responded when asked in New Delhi Jan. 17 to comment on his talks with Bangladesh President Lt. Gen. H.M. Ershad.

Solarz said Ershad had agreed to hold “free and fair elections,” with special arrangements to ensure participation of the opposition—which has so far refused to participate in elections unless the President first steps down—including invitations to foreign observers and journalists “to monitor the electoral process in order to minimize the prospects for fraud.”

He did not detect any “willingness or eagerness” by President Ershad to resign, Solarz reported, so he could only “hope” that “a way can be found” to hold elections soon. (In the Philippines case, a neat little scandal in Washington over Ferdinand Marcos’s alleged real estate investments, cooked up by Solarz and his cronies, was found to be an efficient way to get the ball rolling.)

## Congressman from Bombay?

But Bangladesh was by no means the congressman’s only concern. Solarz’s visit is part of a gambit that appears to be the brainwave of the Indian Embassy in Washington, intended to gain favors by propitiating the head of the House Affairs subcommittee on Asia and the Pacific. Hence, a red carpet for Solarz, “friend of India,” that included meetings with the prime minister and an open door to the other top brass in Delhi, meetings with ruling party MPs and opposition leaders. The visit was topped off with a trip to Punjab for meetings with Sikh religious officials and Akali political leaders.

Indian officials may smugly believe they are recruiting an agent for India in the U.S. Congress—it is a conceit Solarz cultivates. He opened his New Delhi press conference by

pointing to his new “Nehru jacket” and stating that since he was frequently referred to as “the congressman from Bombay,” he ought to look like one.

The quip has its own revealing irony: Bombay is the mafia center of India, not its political center. Moreover, Solarz’s financial godfathers are top figures in the international Syrian-Jewish business mafia that has a base in the Flatbush district of New York and dirty operations running through Bombay and a dozen other major cities of the world. This mafia’s strings are tied to the hardline Zionist faction in Israel associated with Ariel Sharon.

No wonder then, that in the paean to a worldwide “peace breakout” with which he introduced himself to the press in Delhi, Solarz neglected to mention the opening of a dialogue between the U.S. and the PLO. And no wonder that the extravagant praise and boundless optimism for what he termed the “great leap forward” in Indo-Pakistani relations supposedly signaled in the encounter between Indian Prime Minister Rajiv Gandhi and Indian Prime Minister Benazir Bhutto in Islamabad, fell flat.

On Punjab, duplicity was only temporarily blurred by a heavy dose of patronizing rhetoric. “I have come to find out how bad the situation is and are civil rights really being violated by India,” Solarz was quoted by the *Hindustan Times* in Amritsar. Later, in New Delhi, he brushed off questions about human rights abuses against Sikhs—the subject of hearings in the U.S. Congress under his own authority in recent years—and instead declared that there had to be a “political solution” to the problem in Punjab (a stunning idea which has presumably never occurred to Rajiv Gandhi and his associates).

Indeed, there is a hidden agenda in Solarz’s interest in South Asia. As this magazine has documented, his sponsors in the Mossad and its front organizations have promoted the Sikh separatist-terror cause internationally. At the same time, the Israeli government has insisted that its terror against the Palestinians is nothing by comparison with India’s “oppression” of the Sikhs. It is also common knowledge that the Mossad has repeatedly circulated disinformation implicating India in plans to bomb Pakistan’s nuclear research center at Kahuta.

Who is recruiting whom, and to what? As F.J. Khergavala, West Asia correspondent of the *Hindu*, put it in the only critical commentary as yet: “Even if one gives the government of India the benefit of the doubt concerning hopes for aid and technology from the United States, what is the price that India will be required to pay?” That payment will have to be made to Israel, Khergavala correctly insists, and the price will be linked to what India wants in Washington.

Solarz cloaks himself in the banner of democracy, and is otherwise smart enough to pay obeisance to India’s territorial integrity, Indo-Pakistani friendship, and so on in public utterances in New Delhi. But what he actually does with his “New Delhi card” remains to be seen.

# At high pitch, 'there will soon be operas that can't be sung'

by Liliana Celani and Claudio Celani

*The following interview was granted by Luciano Pavarotti at his "Villa Giulia" in Pesaro, Italy, on Aug. 18, 1988. The Italian review Il Machiavellico, which published the interview in full, has kindly granted EIR permission to reprint this condensed translation.*

Before interviewing him, we show Luciano Pavarotti one of the many articles in the international press on the Schiller Institute-promoted legislation to go back to Giuseppe Verdi's tuning fork (A = 432, based on a middle C of 256 Hz). It is an article in the biggest Danish tabloid paper, *Ekstra Bladet*, showing a picture of the tenor with a gigantic mouth, and a smaller photo near the pictures of Tebaldi, Domingo, Verdi himself, and two Danish singers who endorsed the Schiller Institute petition. "What does the article say?" asks the tenor. "It says that Verdi, Mozart, and Beethoven shall bless us from Heaven for starting this initiative," we answer him, translating one sentence in order to show that it is a positive article. Pavarotti smiles, but looks a bit skeptical. "It is going to be a difficult fight," he comments.

"For sure, but it is precisely difficult fights which are worth fighting for," we tell him. We ask Pavarotti what does he think of Verdi's 1884 decree to establish A = 432 and of the corresponding bill to be debated in the Italian Senate, and he replies: "We should actually stick to A = 440, but in order to have A = 440 at the end of an opera, such as Bellini's *I Puritani*, you have to start off lower than that. These operas are to be sung by lyric tenors, not by light *tenorini*. The lyric tenor has trouble getting to the high D-flat. If, with a higher pitch, the D-flat becomes a D-natural, they become impossible operas. What should be done? For operas such as *Traviata*, A = 440 would be sufficient. For operas such as *Puritani*, *La Favorita*, *La Fille du Régiment*, or *William Tell*, the orchestra should try, if it's technically feasible, to start at A = 438, instead of 440, so that A = 440 is reached when the instruments warm up during performance."

**Q:** But that would again mean changing the original key chosen by the composer, since Bellini's or Donizetti's A was never higher than A = 432.

**Pavarotti:** We cannot speak in these terms, otherwise we



would change the A ten times. We should choose one. Verdi's tuning fork, which the bill is based on, is no longer possible. Let's make another bill, this time for A = 440, which, however, has to be a true A = 440, during the whole performance. Let's start with A = 438 to arrive at A = 440 at the end. We have to bring the voice back to human levels. Outside Italy, after the war, for example at Covent Garden, or at the Met, the pitch was often lower than A = 440, and one would go back to Europe after singing at the Met with a certain sound, and a certain body of voice in mind. I remember very well that when I came back to Europe from New York, where I had filmed *Rigoletto*, I stopped in Vienna to record it. I thought it was a different opera! It was almost half a tone higher, at least a quarter of a tone higher. . . .

**Q:** And what did this imply?

**Pavarotti:** It implies that anyone who keeps singing in such a higher key, will rupture his vocal cords. There would soon be operas that could not be performed any more. For example, in *Il Trovatore*, one of the best-known Verdi operas, which has a very low tessitura [average pitch] for the tenor, you suddenly have a "chest high C" in "Di quella pira." If it were tuned lower, it would be a better opera. Not because a tenor cannot sing a high C, but because he was singing in the center of the voice most of the time. Nowadays tenors do not limit themselves to singing "Di quella pira" and not caring about the rest of the opera. . . . And if you sing the whole opera correctly, you make a certain physical and vocal effort. It is hard to find a tenor who has the technical freshness to hit the high C of "La pira" if he has sung the rest of the opera well. If a tenor sings "La pira" strongly, it means that he half-sang before. There are other operas with very high notes, which, however, are prepared, and in these, the problem for the tenor arises only with the D-flat. If these D-flats are D-natural, it becomes not a vocal, but a physical problem, of the vocal cords.

You end up being unable to perform operas such as *William Tell*, the one inaugurating the Scala season. There are voices, like mine and [soprano Mirella] Freni's, which could perform such operas if the pitch were more human. I can tell you that *William Tell* finished off a tenor named [Nicolai]

Gedda, because he sang it in a higher key. If the pitch had been less high maybe Gedda would have sung 10 years longer. He still sings, but he is no longer the great tenor he once was. Fifteen years ago he sang the whole opera, in French, which is a language well suited to his voice, but the high pitch ruined his vocal cords. It's not worth the strain, I think. Even an orchestra conductor does not like it, because when the conductor has 10 performances planned, and the tenor does two well and eight badly, it's not a gain for the conductor either.

**Q:** How come orchestra conductors do not understand this? Do they not understand voices, or do they only care for the brilliance of the orchestra?

**Pavarotti:** Unless you make a law, the conductor has the orchestra play at A = 440, and at the end of the performance it is 442-444. But if there is a law, the conductor will have to see whether the winds can do it.

**Q:** Do you think that a conductor could adapt to that?

**Pavarotti:** I think the sound of the orchestra would be much mellower and more human with a low tuning fork. It would be more majestic, more powerful. There's no doubt about that. Less brilliant, but who said that music should be brilliant?

**Q:** Coming to the question of vocal technique. I read with interest the chapter of your book (*Io, Luciano Pavarotti*) dedicated to vocal technique and interpretation, in which you speak of breathing and the registral passage (which many are unacquainted with) as fundamental points in the teaching of singing. How do you produce and teach the registral passage yourself?

**Pavarotti:** Everybody knows the register passage, many avoid it; many believe they are doing it, and are not doing it. Many think they are doing it fully and are only doing it halfway. And it is not the case that the person who does it fully is always on the right track.

**Q:** . . . One of the defects provoked by the high tuning is what you describe in your book when you speak of "tenors who seem like baritones that someone is strangling." . . . This premature closing, this premature registral passage, have you noted it in young voices which are singing without the appropriate guidance?

**Pavarotti:** I have noticed one thing in young voices: that when you have a "short" baritone [refers to a limited range—ed.] he tries to be a bass, and a "short" tenor tries to be a baritone. Voices like [famed baritones] Bastianini, or like Cappuccilli, I don't seem to see. . . .

**Q:** Our magazine gives much importance to teaching about the classical period, the idea of uplifting the human spirit which comes from great theater, for example Schiller, ex-

pressed in Verdi, or great classical poetry, by Dante for example. . . .

**Pavarotti:** . . . When I started singing 2% of the public was interested in opera singers and now it's 20%. This due to the fact that in these years television has processed the material for the viewer, and the viewer . . . has realized that it is not entertainment for the elite. . . . It's something very serious. . . . If you had come out when I got started singing and talked about the tuning fork, you would have had everybody splitting their sides with laughter.

**Q:** "And who is the Tuning Fork?" they would have asked.

**Pavarotti:** Not even, they would have said: "Go talk to that guy who lacks high notes. You will see that he will say 'yes, it is a good idea,' but I, who have a high C, for me things are fine as they are, good night." . . . This [campaign for lower tuning] is becoming a cultural event, put in these terms, because so many operas that could not be performed, will be recovered.

**Q:** In criticizing our initiative on the tuning pitch, a Swedish newspaper stated that singers supported it because they don't know anything about politics. What do you think about that?

**Pavarotti:** The . . . musician, and the singer is one of these, has the task, and he realizes this, of keeping together the souls of all the world. We realized this in China when we went to make our concert tour and really made a political conquest. That was a political conquest, with music. If you speak of politics to speak of movements, then certainly singers don't understand and they don't want to understand.

**Q:** I replied to the Swedish daily that singers generally see politics through Verdi's eyes, that is, as a way to improve people's minds, and in this sense they understand it better than many politicians.

**Pavarotti:** Certainly.

**Q:** Another question. I don't know if you heard the interview conducted by Laura Padellaro over "Ora della Musica" with me and others, quoting at the beginning a statement by the American economist and politician Lyndon LaRouche on Italy, in which LaRouche says he weeps for the political and economic conditions of Italy, but he sees two major hopes. One is the tradition of bel canto, that is, Italy's cultural heritage, and the other is the scientific tradition around Leonardo da Vinci, Betti, and Beltrami. Do you agree with this evaluation?

**Pavarotti:** I am fully in agreement.

**Q:** Do you think that these two things can give hope to this beleaguered country?

**Pavarotti:** But they are giving it. When people are kept from badmouthing us, it is because of these two subjects. There is no doubt.

## **The case of Trieste Satanist Moncini**

*Investigations by Italian officials in the United States, could uncover pedophiliac rings and even cults that sacrifice children.*

**D**uring the first days of 1989, an influential personality from Trieste, Italy, Alessandro Moncini, was released from a U.S. penitentiary, after having served less than three months of a one-year sentence, on charges of having imported child pornography into the United States. Moncini has returned to what he calls "my beautiful Trieste," but his stay may not be so relaxed. According to information being made available to the Italian press, the "Moncini case" involves much more than importing child pornography, but potentially points to a ring of pedophiles and Satanists operating at a high level within the transatlantic oligarchical establishment.

When Moncini was first arrested on March 18, 1988, U.S. authorities made it known, through leaks in the Italian daily *La Repubblica*, that he was involved in "satanic rites . . . with sexual undertones, which should have ended up with the sacrifice of the designated victims." The relevant U.S. law enforcement officials have tapes of phone calls made by Moncini to a certain Anthony Crowley, identified by *La Repubblica* as head of "the pornography front" in the U.S., in which Moncini is heard asking for young girls.

According to partial transcripts of the tapes made publicly available, Moncini talks about committing the most disgusting perversions against the young girls, ranging from "whipping" and "chaining" them, to urinating in their mouths. There is also an exchange about how one of the girls might be killed after she is abused. As

the daily *Corriere della Sera* put it, it was clear that Moncini was planning to have a "satanic night."

In the trial, presided over by Los Angeles Judge Richard Lew, none of this material was allowed as evidence, formally because information obtained from wiretapping is not admissible in the court. Even so, the one-year sentence was ludicrous: Even possession and import of child-pornography videos, a violation of the U.S. Child Protection Act, carries with it a potential sentence of 30 years in prison and a fine of \$1 million.

Now Lew has released Moncini "on good behavior," although he had only entered a U.S. penitentiary on Oct. 8. The judge received at least 36 letters from influential personages from Trieste, a city that is home for some very powerful international interests, typified by the Assicurazioni Generali di Trieste insurance/reinsurance giant. (Earlier in this century, AGT employed Czech writer Franz Kafka, whose famous novel *The Trial* may be a useful guide to the American judicial process today.)

One letter, astonishingly, came from the Roman Catholic Bishop of Trieste, Monsignor Bellomi. Others came from the heads of the Lloyd Adriatico insurance giant and the Cassa di Risparmio di Trieste bank, and from the vice president of the Trieste Region, Gianfranco Carbone. Reportedly, intervention also came from Assicurazioni Generali directly.

The public explanation for this rush to support the degraded Moncini is that the Trieste influentials are worried

about their city's reputation. Also, Moncini's local and international standing is cited: head of the World Association of Automobile Clubs, former president of the Italian branch of the Automobile Club (ACI), former president of the Trieste Football Club, a leading member of the Rotary Club, etc.

However, there is a darker explanation. According to *La Repubblica*, Moncini is a member of the notorious Propaganda-2 (P-2) Freemasonic lodge of Licio Gelli. As the Turin daily *La Stampa* characterized Moncini in a Jan. 13, 1989 article: "a Mason in the capital of the Masons." The city of Trieste alone has 10 Freemasonic lodges. International pedophiliac rings are often protected, and in some cases encouraged, by the upper degrees of certain branches of Freemasonry.

On Jan. 13, *La Stampa* reported that two senior Trieste officials working on the Moncini case, chief of police Piervalerio Reinotti, and deputy state investigator Oliviero Drigani, were soon to return from a mission to the United States, where they were searching for evidence "to prove the existence of a most exclusive club of international pedophiles."

Pedophiliac rings are often fronts for procuring children for cults that practice satanic black masses and rituals, including child sacrifice. If Reinotti and Drigani can find such connections in their research about a "most exclusive club of international pedophiles," the earthquake effects will be felt way beyond Trieste.

In any case, the normal citizens of Trieste are making their voices heard—and seen. As Moncini returned to Trieste, graffiti appeared on the walls of public places, with the words, "Attention children, Moncini is returning," which sounds more colorful in Italian: *Attenti bambini che torna Moncini*.

## Revolt in the German military

*Under pressure from the armed forces, the Bonn government decided to extend the length of military service.*

The Jan. 17 decision of the government coalition parties in Bonn to extend the mandatory military service from 15 to 18 months, starting in June of this year, was long overdue. The final decision on this measure, which was agreed upon in 1986, had been delayed for more than two years. It is an important step in the direction of improving the defense situation in a country which will, because of a declining birth rate, face severe manpower problems in its armed forces in the 1990s.

The West German armed forces, based on the mandatory draft system, have a total manpower roster of 495,000, of which 350,000 are combat troops. This is the minimum required for a mission-ready defense against a Soviet surprise attack in Central Europe.

The decision was made in the midst of an escalating witchhunt against the armed forces on the part of the media, leftist and peacenik groups, and the opposition Social Democratic and Green parties.

Several vital projects in defense procurement for the 1990s, like the development of a new main battle tank that is to replace the Leopard II in the late 1990s, a new armored personnel carrier, an anti-air missile systems, and an anti-tank helicopter, have been delayed by the government under the combined pressure of this populist scare campaign against the armed forces, and the budgetary restraints.

Especially the propaganda campaign in the media against NATO air force stationing and low-altitude

training flights in Germany, has caused serious harm to the armed forces. Skillfully guided by pro-Soviet interests, like the main opposition party, the Social Democrats, the campaign has been nourished by any incoming news about "yet another air crash" and the like. The Bonn government gave in to populist views, instead of telling people what is required to have a functioning defense.

Defense Minister Rupert Scholz has been one of the very few, often enough the only one, to tell the public that "what seems desirable to many, to reduce the defense burden, cannot be done, for the sake of maintaining a functioning defense." Scholz has been the only one to point consistently at the feverish pace of new Soviet arms procurement and the superiority of the Warsaw Pact. Left without political and moral support from the government and his Christian Democratic party, Scholz became a favorite target of a whole flood of attacks from the opposition, over the past few weeks. He has been charged with "still holding onto an anti-Soviet image of the enemy," by leading spokesmen of the anti-defense campaign. Scholz has also been marked as a target of Soviet propaganda.

This baiting of Scholz was aimed at the armed forces as a whole. Knowing the cowardly profile of politicians in the federal government coalition, the anti-defense campaign could be certain that any attacks on Scholz would make Chancellor Helmut Kohl (who is always looking at the opinion polls) keep a very low profile on de-

fense issues.

A sense of "this far, but no farther," has been reached among many in the armed forces now, however. Among senior officers in all Bundeswehr services, rage has been building, and the mood is building toward an open political revolt against the politicians.

The Association of Jet Pilots in the Bundeswehr, which represents 1,300 of the 1,500 Air Force, Army, and Navy pilots, decided to go public. In an interview with the Bonn daily *Die Welt* published Jan. 14, Air Force Col. Karlheinz Reichenwallner, the chairman of the association, said of Scholz: "He is one of the few who is really saying, before the TV cameras and on other occasions, that this [low-altitude flights] is necessary. He is protecting our interests, but he is opposed by the [Christian Democratic] parliamentary group and his own party."

Reichenwallner said of the Bonn politicians: "We expect them to state a clear political commitment to the Constitution, which states that the Federal Republic of Germany must be kept defensible; this includes the task of the Air Force, which is determined by a certain amount of low-altitude flights."

The first public response to this sign of protest came from Air Force Gen. Johannes Steinhoff (ret.), head of the special investigative commission on military air crashes. Reporting on his impressions from a tour of numerous Air Force bases, he expressed a "state of deep shock at the embitterment of the pilots at the political climate."

General Steinhoff declared that the pilots are "still doing their dangerous job in a spirit of committed citizens, in spite of the fact that 270 of them gave their lives in peacetime missions since 1958."

## Reagan 'reconsiders' canal treaties

*The Establishment is maneuvering to get Bush to rip up the treaties, in another bid to oust Noriega.*

Two days before leaving office, President Ronald Reagan told the press that the United States should reconsider the Carter-Torrijos canal treaties if Gen. Manuel Antonio Noriega continues as commander of Panama's National Defense Forces.

"I know that is a subject we should be treating with," Reagan said Jan. 18, in a farewell interview with White House correspondents, when asked if the U.S. should comply with the treaties. "Of course, it's too late for me, but I think it is something definitely to look at, because our attempts to oust him were in line with the thinking of a great many people in Panama and there is no question about his totalitarianism," Reagan said. The President attempted to justify his repudiation of the U.S. treaty commitment by repeating the lie that Noriega is "part of the drug fraternity."

Lest it be thought that Reagan's swansong statements no longer represent U.S. policy, earlier the same day Secretary of State-designate James A. Baker III said at his Senate confirmation hearings that the United States should not designate a Panamanian as canal administrator—as the treaty requires—unless Noriega is removed from command.

Although President-elect George Bush in an interview the next day distanced himself somewhat from Reagan's call to reconsider the treaties, saying, "I am a great believer that once a treaty is entered into and ratified it ought to be kept," he did not disavow the remarks of his secretary of state on the question of the next canal administrator.

The treaties call on a Panamanian to take over as canal administrator in 1990. By treaty, the U.S. President must name the administrator from a candidate selected by the Panamanian government, and the appointment is then ratified by the U.S. Senate. Nowhere in the treaty is it stated that the implementation of this clause is subject to the United States approving of whoever is in command of Panama's armed forces.

Bush's endorsement of the principle of adherence to treaty obligations is not likely to assuage the Panamanians, who have insisted from the beginning of the crisis between the two countries that the issue is not General Noriega, but that the United States wants to disavow the treaties and extend its presence beyond noon, Dec. 31, 1999, when control of the canal and related installations is supposed to be turned over to Panama. According to the Panamanians, the United States is particularly reluctant to uproot the Southern Command, the only U.S. military installation on the Ibero-American mainland.

While Reagan's and Baker's statements are the highest-level indications that the United States may repudiate the treaty, they are by no means the first.

The U.S. Establishment's policy regarding Panama was most recently spelled out in the Winter 1988-89 issue of *Foreign Affairs*, the magazine of the New York Council on Foreign Relations, in an article by James Chace. There, the CFR sets out a number of policy options for Bush, including a military intervention into Pana-

ma. The CFR document warns Bush to act quickly to settle the Panama question, which otherwise "could derail the efforts of the new administration to explore the limit of U.S. Soviet rapprochement."

Even more important than the threats, is the fact that the U.S. has been systematically violating the canal treaties. Since April 1988, Panama has not received one cent of the canal annuities which it is entitled to, and the venue of the meetings of the governing body, the Panama Canal Commission, was unilaterally shifted from PCC headquarters in Panama, to the United States. Obstacles have been put in the way of the Panamanian commissioners to prevent them from participating in the meetings: U.S. visas were denied to their staff on one occasion; they were not notified of another meeting; and at the last meeting, held in Houston Jan. 11-12, they were forced to walk out when the U.S. invited Juan B. Sosa, who represents former President Eric Delvalle, to participate. As Panamanian commissioner Carlos Ozores explained it, Sosa's participation was an obvious attempt to politicize the meeting, which should have only been open to members of the canal board of directors.

On Jan. 13, the captains of Panama's Defense Forces issued a statement reaffirming their stance that Noriega is not the issue: "This is not the fight of one man. It is the fight of a people. This is also the cause of this generation of officers," said the statement, which was issued at the end of a training seminar. Speaking at the same ceremonies, Noriega said he would not put his post up for negotiations with the United States. "The presidency of Panama and the command of the armed forces belong to the people of Panama," he said. "And they cannot be given up."



## Austerity for Colombia

*The government, backed by the creditor banks, argues that the people are consuming too much.*

**T**he Virgilio Barco government is enforcing all the conditions of starvation dictated by the international creditor banks, in exchange for a measly \$1.7 billion in credit. In fact, as soon as President Barco decreed a minimum wage increase *below* the inflation rate, Finance Minister Luis Fernando Alarcón Mantilla was permitted to announce that the Colombian government had just reached a deal with the banks for the \$1.7 billion.

An ecstatic President Barco claimed that the loan was "recognition" by the international banks that, "in the midst of the difficulties Latin America is suffering, our economy presents an exceptionally good situation."

During tripartite discussions with the labor unions and the business community in the National Wage Council, Minister Alarcón had furiously argued that the minimum wage had to remain below the inflation index, because government commitments to the International Monetary Fund (IMF) included a 1989 inflation rate of no more than 23%.

What he did not mention, was the fact that in early 1988, he had set an inflation estimate for the year of only 22%, but by December he was forced to increase that estimate to an embarrassing 27%, violating the goal agreed upon with the IMF. Even that 27% fell below the final 1988 inflation figure of 28.2%, the highest of the past 10 years.

Labor spokesmen argued back that wage increases were not inflationary, and had to include compensation for the full increase in costs

of living during 1988.

Willing to compromise, the business community proposed an increase equal to that of the inflation rate, but President Barco, determined to keep the bankers happy, decreed a wage hike of only 27%. With this decree, issued after the tripartite talks collapsed in failure, the traditional yearly minimum wage hike was kept below the inflation rate for the first time in 15 years.

Even worse, the government only granted a 25% increase (more than three points below inflation) for the 1 million workers of the state sector, nearly 20% of the Colombian labor force. At the same time, the Barco government authorized increases of 24% in fuel prices, 28.2% in tax hikes, 27% in public service costs, 34% in telephone rates, and 28% in medications. Adding insult to injury, the World Bank is currently threatening to suspend credit disbursements to the electricity sector, because the state electrical company, according to the financial institution, has still not raised its rates enough.

The government's wage-gouging policy is but one aspect of its commitment to brutally reduce Colombians' consumption levels as the condition for receiving further bank credits. The government had already limited the use of credit cards, increased credit card interest rates, and imposed an initial quota that forces credit card users to pay 30% of the debt contracted in the first month. Said measures were taken explicitly for the purpose of "reducing consumption," according to

Finance Minister Alarcón Mantilla. Thanks to these and similar monetarist measures, consumer sales in December 1988 fell 30%.

The ill-gotten reward for the Barco government was the much-pursued \$1.7 billion private bank credit, whose first disbursement will occur in April 1989 (if the bankers do not suddenly change their minds), and another \$1.4 billion from the multilateral banking institutions (World Bank and Inter-American Development Bank), in addition to a three-month moratorium granted by the international banks on some \$300 million in capital.

But slashing consumption is not the only commitment the Barco government has made with the banks. It has further pledged to offer greater concessions to foreign investors. One of these is the just-decreed reduction in taxes on foreign companies by a whopping 25%. Congress has also just approved special legislation to permit foreign investors greater access to national companies, and especially, Colombian banks. Further, the Barco government has committed itself to buying up its own foreign debt on the "junk bond" markets, and to dramatically reducing its fiscal deficit.

And with it all, President Barco continues to claim that his administration is combatting "absolute poverty." To back up his fairy tale, the National Administrative Department of Statistics (DANE) has fabricated a new "market basket" index (upon which cost-of-living estimates are based), which reduces the factor of food consumption! In the old "market basket," food represented a full 48% of consumption, but in the new index, it only represents 34.5%. Through this stratagem, worthy of an IMF medal, this year's food shortages will cause no major increases in DANE's inflation estimates.

# International Intelligence

## *Witchhunt on against German defense minister*

Having ousted Bundestag President Philipp Jenninger in November, the Soviets now want to oust West German Defense Minister Rupert Scholz. Since mid-January, Soviet assets have surfaced left and right to accomplish the task.

First, the district court of Wuppertal is hearing a case against Scholz for alleged violation of safety rules in the Remscheid crash of an A-10A Thunderbolt II aircraft.

Second, former Deputy Defense Minister Peter-Kurt Würzbach used a session of the Christian Democratic parliamentary group in Bonn on Jan. 17 to declare he felt badly mistreated by Scholz, who had fired him in December.

Würzbach received applause from the group, while Scholz, intervening promptly to correct Würzbach, was booed. Group chairman Alfred Dregger did not intervene on behalf of either, interestingly enough. Chancellor Helmut Kohl did, however, stating his support for Scholz.

Third, all Social Democrats and Greens on the parliamentary defense commission walked out of its meeting Jan. 18 when Scholz rose to explain his plan for limiting and restructuring air force training flights. The training flights have been plagued by repeated and uncanny crashes, widely believed to be Soviet-directed sabotage, possibly involving electromagnetic-pulse weapons. But the crashes, often involving civilian deaths on the ground, have been used to whip up hysteria against NATO forces in Europe.

In the parliamentary defense commission, charges were issued that Scholz was "blocking the only meaningful step, banning all flights at low altitudes for the time being"—which would severely impair NATO air force readiness.

Finally, Social Democratic members of the commission investigating the Ramstein Air Show disaster, in which three planes engaged in a routine show maneuver collided, burst into a fireball, and killed 50 spec-

tators on the ground, ostentatiously welcomed Würzbach when he arrived to testify Jan. 18.

## *Shultz hails CSCE accord*

U.S. Secretary of State George Shultz, after an agreement was reached on the final documents of the Conference on Security and Cooperation in Europe (CSCE or Helsinki Agreement) in Vienna, exultantly declared that the accord was of "great importance."

According to Shultz, the crowning achievement of East-West relations in the near future, would be the tearing down of the Berlin Wall by the Soviets.

Various Western analysts have recently expressed concern that the Soviet Union might conduct a public relations ploy over doing exactly that, as part of a new "Stalin Note," by Gorbachov. The Stalin Note of 1952 pledged a reunified Germany, but clearly under Soviet domination.

The obstacles to the CSCE agreement were removed in the past days, when Romania, on the one hand, and Greece and Turkey, on the other, were bludgeoned into line after they had raised last-minute objections.

In Vienna now, talks are to begin soon on "conventional stability," i.e., disarmament.

## *Israel pushed to recognize PLO*

The new coalition government of Israel is coming under growing pressure, from both within and without, to recognize and deal with the Palestine Liberation Organization.

Israeli peace groups are about to launch a major offensive to force the leadership of the Labor Party to change the party program's opposition to the creation of a Palestinian state and negotiations with the PLO. This is one of the results of a Jan. 12-13 seminar in Paris, where "indirect" talks be-

tween Israeli and PLO officials took place. These were characterized as very "successful" by sources.

The pressure is already being felt inside the Labor Party. On Jan. 15, Secretary General Uzi Baram resigned in protest over party leader Shimon Peres's anti-PLO policy.

Meanwhile, the latest opinion polls have registered 56% of Israelis in favor of direct talks with the PLO, if its renunciation of terrorism proves real. Speaking on Jan. 10 before of the Knesset Defense Committee, Chief of Staff Dan Shomron revealed that the PLO has not sponsored any terrorism or operation of military infiltration from Lebanon against Israel since last November.

A few days later, Gen. Mordechai Gur, the former chief of staff, said that the Israeli government would finally have to recognize that there is no way around inclusion of the PLO in Mideast peace talks.

Foreign pressure for such actions is also mounting. In the "public part" of a Jan. 13 meeting between a junior British Foreign Office minister, Waldegrave, and Yasser Arafat in Tunis, Waldegrave made a point of being overheard telling the PLO leader that he would not be satisfied "as long as you don't have a place you can call your own," i.e., a Palestinian state. Arafat later stressed that the importance of good relations with Britain is that, while other European countries have "good ties with America, Britain has influence."

Of note, the chairman of the Anglo-Israeli parliamentary committee reacted that Britain and the Europeans should stop "trying to put undue pressure on Israel . . . because everybody knows that sooner or later Israel will talk directly to the PLO."

## *Did Soviets snatch missile data recorder?*

The Soviet intelligence services probably stole the flight data recorder from a U.S. strategic missile after its 1987 test firing near Kwajalein Atoll in the Marshall Islands, wrote Marc Berkowitz, an analyst from the National Institute for Public Policy, in a

## Briefly

commentary in the Jan. 15 *Washington Post*. The United States has been unable to recover the recorder, despite five separate searches.

The article points out that "such operations are within the capabilities of 'special designation' (*spetsnaz*) units deployed with each of the four Soviet fleets," and says that this may be "part of an expanding pattern of naval *spetsnaz* activity."

Berkowitz pointed to the evidence of Soviet intrusions in Scandinavian territorial waters, particularly Sweden's 1981 "Whiskey on the Rocks" incident—Whiskey is a class of Soviet submarine—and similar incidents in the Far East.

He concludes, "Indeed, the apparent increase in naval *spetsnaz* activity is indicative of the Soviet Union's willingness to employ the full range of its intelligence assets in an effort to compromise U.S. national security despite the trend towards improved foreign relations with America."

Meanwhile, senior officials of the West German Counterespionage Bureau (BfV) reported at a seminar in Bonn on Jan. 13 that Soviet scientific espionage in the West has increased significantly.

Peter Frisch, vice president of the BfV, said, "Our impression is that someone in Moscow gave directives [to spies] to get as much as possible. One has to keep in mind, that Gorbachov's fate depends on the growth of economic output."

### **Opposition demonstrates at Taiwan parliament**

About 300 protesters from the opposition Democratic Progressive Party massed outside the parliament of the Republic of China (Taiwan), accusing the government of ramming through reform bills that bolster the position of the ruling Kuomintang party.

"The retirement bill is a ploy to perpetuate Kuomintang rule," said opposition leader Yao Chia-wen. He said that elder deputies—veterans of the fight against the Chinese Communists—would cling to their seats despite being offered pensions.

The Democratic Progressive Party argues that the older deputies were never really elected, have no legitimacy, and no right to a pension.

The DPP leadership was trained in West Germany by the Soviet-linked circles around the West German Green party. It is dedicated to the destabilization of Taiwan on behalf of power-sharing arrangements between the superpowers.

### **Philippines getting ready for U.S. exit?**

Philippines Foreign Secretary Raul Manglapus on Jan. 17 predicted a withdrawal of Soviet and U.S. forces from Southeast Asia and said the Philippines is preparing for the conversion of key American military bases for civilian use.

"The United States and the Soviet Union could even now be drawing up their own separate timetables for a withdrawal of military installations from this region," he said in a foreign policy speech in Manila. "Our own Department of National Defense as well as various U.S. officials have issued alerts to that possibility," he continued.

Manglapus announced that he is going to the Soviet Union in the spring to prepare for a visit to the Soviet Union President Corazon Aquino. He also said that Manila is studying the possibility opening diplomatic ties with North Korea.

Meanwhile, President Aquino told a visiting group of Soviet legislators that the Philippines is ready to expand trade with Moscow, and noted that Manglapus as well her Trade and Industry Secretary would soon visit the Soviet capital. "I would like for more of these visits to take place," she told reporters afterward.

On Jan. 17, Philippine Defense Minister Fidel Ramos met with Col. Gen. Vladimir Lobov, first deputy chief of the Soviet military general staff. The meeting was believed to be the first high-level military contact between the two countries since they established diplomatic relations in 1976.

● **DONALD GREGG'S** nomination as ambassador to South Korea has brought criticism from the Korean news media and some opposition figures, "We just want to point out that 'another CIA official?' is what the Korean people generally feel about Mr. Gregg's nomination," an editorial in the newspaper *Chosun Ilbo* said. The nomination means that "the U.S. regards Korea not as a diplomatic, but as an intelligence and operations target."

● **IRANIAN PRESIDENT** Khomeini told Afghani Shi'ites at a Tehran seminar Jan. 15 that they should continue negotiating with Moscow over a postwar order in Afghanistan.

● **MIKHAIL GORBACHOV**, in a letter, delivered by Ambassador Zamyatin, told Britain's Margaret Thatcher that he wants to visit Britain to make up for the opportunity lost in early December when he suddenly canceled a visit—ostensibly over the Armenian earthquake. Thatcher told Zamyatin that Gorbachov would be welcomed to Britain at any time.

● **MALAYSIA** banned rock star Michael Jackson from performing there in December. Said Information Minister Datuk Mohamad Rahmat, "His stage performances are too erotic and would be a bad influence on our youth. . . . He is a cult figure."

● **INDIA** and the Soviet Union signed an agreement for delivery of six IL-62 and TU-154 Soviet aircraft. An agreement is also expected in the next two months on securing aircraft for the domestic Indian Airlines and Air India. Russian pilots, ground engineers, and Soviet fuel at concessional rates will come with the planes, allegedly because there is not enough time to train Indian pilots.

## Mexican unionists' arrests portend a Bush disaster

by Lyndon H. LaRouche, Jr.

*This article was released on Jan. 12.*

It were as if the ill-fated Titanic had been sunk by an iceberg before leaving port. The mass arrests of the leadership of Mexico's petroleum workers union, have set off a political chain-reaction which threatens to become disastrous for the incoming U.S. Bush administration.

These mass arrests were ordered from the United States and Britain, as part of the Anglo-American Liberal Establishment's grab for the Mexico petroleum trust, Pemex. This action is but one of several major actions which that particular faction of the Liberal Establishment had pre-scheduled to occur during the period between the November 1988 U.S. election and the presidential inauguration of George Bush. These actions are designed to ensure that when the new U.S. administration assumes power, it is locked into the global game-plan of that particular Anglo-American faction.

Once Mr. Bush's administration were locked into that game-plan, his administration is as good as doomed to a Titanic disaster.

From the standpoint of the history of Mexico, the combination of forces behind the Pemex grab is exactly the same circles around Britain's Lords Palmerston and Russell, 125 years ago, which ordered the joint British, French, and Spanish invasion of Mexico, to overthrow President Benito Juárez, and install the Hapsburg puppet-emperor Maximilian. That faction's policy toward Mexico itself has not changed in any essential way in 125 years. As far as Pemex itself is concerned, this Anglo-American faction is doing today, what it did not dare do under the circumstances of 1938-40, but which it has remained committed to do, as soon as possible,

during every year of the past 50 years.

What is happening to Mexico, is no different than what I discussed with Mexico's President José López Portillo in our meeting of June 1982. The time has come to reveal the precise, opening words of my briefing to the President at that meeting: "Mr. President, they plan to begin taking your country apart, piece by piece. The operation is intended to begin no later than this September." It began in August of that year; beginning October 1982, piece by piece, week by week, Mexico has been taken apart.

### Back in 1863

At the time London ordered the combined British, French, and Spanish fleets to overthrow the government of Benito Juárez, Lords Palmerston and Russell were committed to military action to effect the destruction of the United States, a destruction planned as outlined in the correspondence of New York City's August Belmont. The invasion of Mexico was intended to be a flanking action, preparing the deployment of British and French naval forces in war against the government of President Abraham Lincoln.

Two things prevented Palmerston's going to war against the United States at that time. One was the action of Czar Alexander II, who sent the Russian navy to San Francisco and New York, and warned London that Russia would unleash war throughout Europe, if Britain took any military action against the United States. The second thing, was the defeat of British intelligence's New York City "draft riots," and the decision at Gettysburg secured by the timely arrival of the New York regiments. During a rug-chewing session between Palmerston and Russell, the planned war against the

United States was written off as a lost cause. British interest in Mexico was dropped, for that reason, and the project left in the hands of the Emperor Napoleon III.

After Appomattox, the United States forced Napoleon III to withdraw French military-occupation forces from Mexico. This created the circumstances in which President Juárez effected his military defeat of Maximilian. That was just over 120 years ago.

### Still, today

However, the combination of forces behind Palmerston, Russell, and Belmont then, have never given up the goals of 1862-63. That was five generations ago. My maternal grandfather was born a year before Palmerston invaded Mexico; as I know the traditions of my great-grandfather's father through my family's dinner-table gatherings, so the descendants of Palmerston, Russell, and Belmont remember theirs.

Individuals die, but powerful family traditions live on. Britain's Prime Minister Winston Churchill lived out his life defending zealously the detailed memory of his ancestor from the time of Queen Anne and Cotton Mather, the First Duke of Marlborough. It is impossible to understand many of Winston Churchill's decisions, such as his ill-fated adventure against Turkey during World War I, without recognizing the degree to which Winston was obsessed with the idea of being virtually a reincarnation of the First Duke. The leading aristocratic families of Europe live out their lives in a repetitive guided tour past the portraits of their ancestors, reaching back centuries, to the 16th and 17th centuries, or even earlier. It is the same with those powerful financier families who trace their traditions to the Venetian nobility of the 16th or even the 14th century.

Some "younger families" hire genealogists to invent ancient ancestries for them. The actual traditions of my maternal side begin with my great-great grandfather, a contemporary of Abraham Lincoln, and, like Lincoln, a Henry Clay Whig. However, some members of the family, of different political persuasion, hired a genealogist to create a book, tracing the family's origin to the First Duke of Lancaster, the Norman Reginald de Taillebois.

Others among us have done as I, to adopt an intellectual-philosophical ancestry. My choice, since the age of 13 and 14 years, was Gottfried Leibniz and the philosophical tradition he represents.

No person has the durability of personal character-formation needed to shape the history of the world, for good or for evil, for better or for worse, unless he or she is self-defined as an historical person, either by aid of a family history, an adopted philosophical ancestry, or a combination of both. The capacity for actions which tend to have universalizing implications, expressed efficiently with pungency and force, depends upon finding within oneself an historical commitment which is far greater than the momentary dura-

tion and width of a mere individual mortal existence. It is the study of history, with the same degree of passion an old aristocratic family seizes a vivid memory of its ancestors, which provides a kind of strength of will for long-range decisions lacking in those whose passions go no further than narrow immediate concerns of personal advantage.

Thus, because such historical capacities for great good or great evil are relatively rare in the population as a whole, the majority, without such impassioned personal sense of historical identities, lack the intellectual capacity to understand crucial events such as those occurring in Mexico today. Unless one understands the leading passions of the most powerful among the contending forces of more than a hundred years ago, one lacks the means to understand why the descendants of those around Palmerston, Russell, and Belmont then, are doing what they are doing to Mexico today.

There may be simple explanations which are generally accepted as "most credible" to the proverbial man in the street. There may be such simplistically simple motives attributed to the powerful financier interests behind the actions of former CIA Director William Colby today. In the final analysis, all such explanations are false. The real motives of the real shapers of these policies, are motives rooted in traditions reaching back a hundred years and much more.

It is because I understand these principles efficiently, that those combinations of powerful families which represent a tradition directly opposite to my own, are determined to exterminate me, and to eradicate every organized expression of what I represent from every place on the face of this planet. Today's descendants of those families behind Palmerston, Russell, and Belmont, are terrified of my historical potentialities today, and are therefore committed to exterminating me before great events might bring my historical potentialities into fuller play.

For related reasons, those same families are determined to eradicate all trace of real Christianity from this planet, and to stamp out of existence every force or faction, in every nation which represents potentially the base of support for what Benito Juárez and Abraham Lincoln represented more than a hundred years ago.

The simple man in the street finds it a credible explanation that powerful financier interests in London and New York wish to loot Mexico to the marrow of its bone, and to steal such a rich prize as the sea of petroleum, perhaps vaster than that of Saudi Arabia, below. Certainly, stealing is a strong motive in this affair. However, that is only a secondary motive; at the higher levels, the real motive is these families' determination to have the right to do as they please. What they please, is the assertion of what they have adopted as the historical commitments of their family's tradition. Since the man in the street has no family tradition of this sort, he does not understand that the world is ruled by families with such traditions, for better or for worse. So, that man in the street

rejects anything but very simple explanations as “not credible.” In other words, the man in the street accepts no explanation which is not essentially false.

### **And, tomorrow**

Future history is determined by a combination of alterations in existing traditions, and in a change in the composition of opposing forces each representing different traditions. What is afoot today is a global game, in which the events in Mexico are but one tiny, but important part. It is this larger game which threatens to arrange an early, Titanic sinking of the Bush administration.

We have not discussed this matter with Mr. Bush personally. We have discussed it in considerable depth, with those involved in preshaping Bush administration policies. We have discussed the issues and their implications with leading circles around the world, over many years. From what we have observed of Mr. Bush’s response to his environment, and from sources of direct information, we know that George Bush does not know what is about to hit him.

He is not an unintelligent man, nor lacking in certain special qualifications of experience. He probably knows some important aspects of the crises just ahead for him, but his view of these matters is controlled by considerations of the sort which Shakespeare’s Hamlet puts under the proposition, “To be, or not to be?” Mr. Bush is so certain of the realities of power in his immediate environment, that he withdraws from contemplation of the world beyond those immediate certainties. That, so far, is the literally tragic aspect of his incoming administration.

The relevant “realities of power” are, essentially, the power of the Anglo-American Liberal Establishment over the fate of politicians and governments of the United States. What that power will, and will not tolerate, is the shape of the goldfish bowl in which the incoming Bush administration perceives itself to swim. Hence, all the movements, actual and contemplated, of that “fish,” are limited to addressing crises in terms consistent with “the realities” of Establishment commitments and power. The “fish” may see into the world beyond the goldfish bowl, but only, as St. Paul expresses it in the best quality of English, “as through a glass darkly.” The world beyond, may exist in the Bush administration’s contemplation, but that world is not a sensuous reality in the “fish’s” decision-making.

To complete the metaphor: The goldfish-bowl is about to be knocked over.

The same general rule applies, in a somewhat different form, to the perceptions of the Establishment itself. The Establishment as a whole, at the highest level, is obsessed by a delusion, an hysterical obsession. It can not bring itself to believe, that no matter what it does in service of its current tradition, that choice must lead to a disaster akin to the death of the gods of Olympus. “You will see; it will work out as

we have planned. We have the power. We have the will. We are united in this commitment.”

The hysterical assertion of raw Establishment power, in the 400-man armed raid on the offices of my associates, in October 1986, is an example of this obsession. The way in which the recent Alexandria trial was rammed through, with the jury rigged so nakedly, is an example of that hysteria. The exact same combination of Establishment forces behind those two events, directed the recent actions against Mexico’s petroleum union. If one draws a graph-line, from August 1982’s events in Mexico, up to the present time, the degree of wildly hysterical assertion of raw, lawless power, often through instruments of the law itself, has increased geometrically.

This pattern can not be explained, except to foolish, simple-minded people, in terms of Establishment reactions to specific, prompting events. The hysteria is caused by an existential anxiety pervading the Establishment as a whole, and intensified by the rise of organized Satanism within the ranks of the Establishment up to the highest echelons.

In short, this Establishment hates God, as only those who set themselves up in the image of the pagan gods of Olympus can hate the Creator. The Establishment sees the very forces of nature closing in upon it.

In my own case, it views me as the gods of Olympus viewed the aeschylean Prometheus, and as the Syrian Magi, steering Socrates’ prosecutors, saw Socrates. It hates the Papacy, and is determined to exterminate it, for similar reasons. Any person, any institution, which appears to this Establishment to represent those forces of natural law now threatening the Establishment with loss of its power to rule as it pleases, is marked potentially for destruction. The Establishment is now moving, with mounting hysteria, to destroy such persons and institutions in the degree they are viewed either as influential, or potentially a supporting force for those who are.

The Establishment senses that it is fighting for its own continued existence, and senses this as the mythical gods of Olympus might have reacted to the “twilight of the gods.” It reacts to this growing anxiety in the manner of the Biblical Herod, slaughtering every male child of the same age as the feared Messiah.

These moods within the Establishment coincide with the recently massive growth, and public openness of avowed Satan-worshippers among the pedophiles of the Establishment. The potential for such spread of pedophilia and Satan-worship is fostered by the malaise—the *Weltschmerz*—within the ranks of the Establishment and its hangers-on.

The spread of quasi-Satanic Gnosticism, in such guises as “neo-malthusian environmentalism” and kindred cult-forms of organized irrationalism, is a symptom of this trend. It is like a mortally wounded beast, the last of its species, who is determined to destroy anyone, anything, which might outlive

it. Like the Nazis, whose inner core was an offshoot of a Satanist cult, it resorts to increasingly wildly desperate exertions of raw power, an hysterical assertion of its arbitrary will, in the blind faith that by these means the Establishment shall either continue to rule the world, or leave no world for anything after them.

The bloody scene with which Hamlet concludes, augurs the end toward which the tragedy of the incoming administration is presently aimed. It is fear of Establishment power, which has shaped thus far the policies of the second Reagan administration, and the transitional phase of the new administration. That is the Bush administration's "goldfish bowl"; unless Mr. Bush can free his administration from that sort of policy-shaping captivity, his administration were doomed early on.

### **Satanism amok**

The power of Satanism, reaching up into numerous among the highest echelons of the Anglo-American Liberal Establishment, is by no means exaggerated.

Organized Satanism, as associated with the tradition of Nietzsche and Aleister Crowley, is defined by the umbrella-term "Age of Aquarius," or "New Age." Its best known forms inside Britain and the United States, are the Britain-founded Wicca and OTO, theosophy cults of Crowley. In addition to Crowley, the organizations of Bertrand Russell and H.G. Wells are front-operations of these two Satanists, together with those of Crowleyite initiates to Satanism, Aldous and Julian Huxley. Gnosticism, usually encountered as pseudo-Christianity, is an old and continuing guise for Satanism.

The popular manifestations of the spread of Satanism, are the proliferation of Wicca, OTO, and Theosophy as cult-organizations engaged in very energetic recruiting-drives. More often, OTO rituals are seen in the spread of incidents of pedophilia, cult-murders, and mysterious suicides among children and adolescents. Atlanta child-murders and the New York "Son of Sam" murders merely touch the fact that perhaps 20% of the homicides in Western Europe today are actions of Satanist cult-members.

Organized Satanism is expressed in most of the political forms of organized homosexuality, and most broadly in the spread of the outrightly Satanist, and Satanist-controlled "heavy metal" rock groups and their followings. The spread of cabalism and astrology, two products of ancient Satanism in the Middle East, are principal recruiting tactics employed by organized Satanist cults such as Wicca and OTO. The use of drugs for recreation, is traditional cult-practice among the Middle East Satanist cults of ancient and modern times, and by the Dionysos and Bacchic cults.

The organized Satan cults are structured as Freemasonic organizations, and have devotees present up to even high levels within organized Freemasonic bodies such as the Scottish Rite.

Exemplary is the case of the New York Episcopal Cathedral of St. John the Divine, the flagship diocese for the Anglo-American Liberal Establishment in the U.S.A. Much of the organizing of Satan cults, such as Wicca, has been done through the Lindisfarne center operated as part of the program of Bishop Paul Moore's diocese. Former U.S. Secretary of Defense, Robert S. McNamara, is a cult devotee. The flagship Satanist organization in the United States is the Lucifer/Lucis Trust, which now operates out of the Cathedral of St. John the Divine, and is the sponsor of the United Nations Association and of neo-malthusian organizations such as the World Wildlife Fund. All of these and other connections to Satanism by Bishop Moore's cathedral is a matter of open public record.

So, organized Satanism penetrates into very high levels of the Liberal Establishment, and its well-known presence there is tolerated by the Establishment as a whole. Indeed, Satanism is the most evil influence within the Establishment, and a very powerful one at high levels.

Any analysis of events such as the Leesburg raid of Oct. 6, 1986, or the recent events in Mexico, which overlooks the role of Satanism within Establishment policy-shaping, has no real grasp of the character of current history.

### **The danger Bush faces**

The greatest danger which the new President faces, is the likelihood that his new administration will become locked into step with the Liberal Establishment's global game-plan, even before the end of the "transition period." The principal reason the Liberal Establishment has pushed through a number of key operations, including the events in Mexico, before Jan. 22, is to lock in the incoming administration even before it is inaugurated.

A few of these actions are the following, listed in the order of their occurrence:

- 1) The rush to push through the Alexandria federal trial before the Bush inauguration;
- 2) The scheduling of the Paris foreign-ministers' conference on "chemical weapons"—actually directed against fertilizers and insecticides for agriculture.
- 3) The use of the theme of that Paris conference for the military, diversionary feint, targeting Libya. Other, more significant motives governed that deployment.
- 4) The recent events in Mexico.

There are sundry others which could be listed, but the point is illustrated sufficiently by those above.

The effect of these "transitional period" actions, is consistently aimed to delimit the options available to the new President. The actions in Mexico, for example, "burn bridges." Mr. Bush is compelled to adopt these actions, both implicitly and even openly, and so mortgage his administration's options in advance.

The policies of the Anglo-American Liberal Establish-

ment include the following most prominently:

1) The application of the methods used by Nazi Economics Minister Hjalmar Schacht, as the treatment of the global monetary and financial crisis soon to erupt in a major financial crash.

2) The use of "globalist" agreements for power-sharing with Moscow as a policy of Chamberlain-like appeasement, in preparation for the prospect of a future world war erupting as a war between Israel and Syria.

3) The fight to ensure not only that the regional world-federalist utopia called "Europe 1992" is implemented, but that London-centered interests dominate that Europe, to the disadvantage of Germany, Italy, and France.

4) A managed break-away of the United States from Europe, with the U.S. manipulated into aiding London's efforts against its German, Italian, and French competitors in the struggle for power under "Europe 1992."

5) The destruction of the sovereignty and institution of the Presidency of the United States.

That outlines the "game-plan" into which the Establishment seeks to lock Mr. Bush. They do not inform him of the last point, of course.

Although he should be well aware of this latter intent, he relies upon agreements which he has reached, or may expect to reach within the Establishment. His administration, including its inner core of old hands, has been so conditioned to the habits of playing the Establishment game by Establishment rules, that it is unable to think of any other setting of policy-shaping. So, it were likely—at least, it is indicated so far—that Mr. Bush were most easily set up for a fall, by inducing him to rely upon agreements which certain forces within the Establishment intend to violate.

The appearances are, so far, that the Bush administration is committed to playing the Schachtian game in matters of debt crises and other issues of monetary, financial, economic, and fiscal policy. Once his administration is locked into that course of action, it will be an easy matter for London and other centers to do what they are committed to doing, with assistance from the extremist Liberals inside the U.S.

The intended flanking action against Mr. Bush's administration, is to "pull the plug" on the U.S. dollar and shaky financial markets, and to do this in ways which Tokyo can not counter even by massive bail-out efforts. The trick by which this is done, is "reverse financial leverage."

Under those crisis-circumstances, those behind this flanking-action do not bring the U.S. dollar all the way down. In midstream, when the Bush administration senses it faces a hopeless situation, they do to Washington as they, together with Washington, had done in "case by case" negotiations with Mexico and other nations since October 1982. The U.S. is put under IMF "conditionalities" and kindred supplementary arrangements.

How could Mr. Bush be set up for that? Very simply. It has already begun, in Mexico this January.

# March on Dr. King's demands justice for

by Don Baier and Nora Hamerman

More than 4,000 people from 25 states of the U.S.A., as well as representatives of the people of Ibero-America, Western Europe, and the captive nationalities of Eastern Europe and China, marched in Washington, D.C. on Monday, Jan. 16, the U.S. national holiday celebrating the birthday of the murdered civil rights leader Dr. Martin Luther King, Jr.

Led by a color guard with flags of many nations, the demonstrators started out just in front of the Capitol, and marched more than a dozen blocks down Constitution Avenue to the Ellipse between the Washington Monument and the White House. It was the only major demonstration for the King holiday in the nation's capital.

They marched for economic justice for Americans and people all over the world, against the bankers' dictatorship of the International Monetary Fund, and against Soviet and Chinese Communist tyranny. And they marched to demand that a man who has dedicated his life to that purpose, former Democratic presidential candidate Lyndon LaRouche, be freed from the criminal Justice Department frame-up for which he and six of his associates are scheduled to be sentenced Jan. 27.

If LaRouche is jailed, there is every expectation that his enemies, led by the "We love Gorbachov" crowd and the Satanist faction of the U.S. Establishment, will arrange his murder—as the political assassinations of Dr. King, President John F. Kennedy, and Abraham Lincoln were arranged.

Petitions demanding that President Reagan pardon LaRouche before leaving office, signed by more than 15,000 American citizens, were presented to the White House on Jan. 18. March organizers said if Reagan fails to grant the pardon, the campaign will continue under President Bush. Simultaneously, a half-page ad appeared in the *Washington Post* and a full page in the *Washington Times*, urging the pardon.

The march and petition drive were organized in a period of a little more than two weeks, since Christmas. Farmers, civil rights organizers, pastors, trade unionists, teachers, and students, and senior citizens marched. They came on 120 buses, they came in vans, cars and tractors. They came from as far away as California, Alabama, Texas and Oklahoma, and from as near as the Washington, D.C., though most arrived from the mid-Atlantic states of New York, New Jersey, Pennsylvania, Virginia, and Maryland.

They marched with placards that read "Grow Grain, Not



# Birthday LaRouche

Cocaine,” “Parity for Farmers, Pardon for LaRouche,” “Food for Peace,” “Stop the KGB Frame-up of LaRouche,” “Worldwide Anti-Bolshevik Resistance: Liberty and Justice for All.” Many wore “campaign buttons” that urged, “Kill Satan, Pardon LaRouche.”

Among the more colorful aspects of the procession were three marching bands, and a troop of Chinese dragon dancers, as well as flatbed truck carrying a tractor, and a float with posters of Lincoln, Kennedy, King and LaRouche, carrying a giant banner bearing the words from Lincoln’s Gettysburg Address: “that this nation, under God, shall have a new birth of freedom. . . .”

When the marchers arrived at the Ellipse, they held a two-hour rally addressed by more than a dozen speakers through a booming sound system that could be heard for blocks away—including just outside the White House itself, and perhaps inside as well.

## Speakers from all walks of life

Only the LaRouche movement could have assembled such a seemingly diverse set of speakers, joined in the great fight for justice for all people, which held the rapt attention of the marchers for nearly two hours. It opened with greetings from rally chairman Warren Hamerman, chairman, National Democratic Policy Committee (NDPC). The invocation was given by Rev. James Cokely, Thompson Memorial AME Zion Church, Queens, New York. The national anthem, the Star-Spangled Banner, was sung by tenor John Sigerson, director of the Schiller Institute music program in the United States.

From the civil rights movement, a tribute to Dr. Martin Luther King was given by John McGee of New Jersey, president and founder of the People’s Association for the Memory of Dr. Martin Luther King, Jr., organizer of the New Jersey Martin Luther King commemorative holiday, and co-organizer with Coretta Scott King of the national holiday. Dennis Speed, a leader of the Schiller Institute in the U.S., and Northeast director of Lyndon LaRouche’s campaign for President in 1988, spoke on “Passing the Torch from Dr. King to Lyndon LaRouche.” A tribute to Martin Luther King was given by Barbara Goudeau, Ordained Missionary, and veteran of the fight against the Ku Klux Klan from Zion, Illinois. Finally, O.G. Christian, former president, West Philadelphia NAACP, a 35-year civil rights leader and associate of the

late Manhattan Borough President Hulan Jack, spoke on “A Movement for Justice.” This section of the program closed with the singing of “We Shall Overcome,” led by Rev. Cokely, and Sheila Jones, candidate for Mayor of Chicago.

A message from Helga Zepp-LaRouche was then read by Renate Müller-di Paoli of the Schiller Institute, West Germany, after which Warren Hamerman read a message from Lyndon H. LaRouche, Jr., written for the occasion of Dr. King’s birthday.

From the International Anti-Bolshevik Resistance Movement: Webster Tarpley, president, Schiller Institute-U.S.A., presented “The Lessons of Joseph.” “The OSI’s Destruction of Human Rights in the U.S.” was put forward by William Nezowy, President, American-Ukrainian Political Action Council of the United States and initiator of public hearings on the abuses of the Office of Special Investigations in the Justice Department. Dennis Small, who was convicted with Lyndon LaRouche in the recent frame-up, and is Schiller Institute co-director in Ibero-America, urged support for the battle for justice of the oil workers union leaders in Mexico. Professor Yang represented the cause of the Free Chinese.

Next, the Food for Peace movement was represented by Jack Hall, past president, National Farmers Union, Virginia, George Gentry, farmer, former U.S. Senate candidate, Oklahoma, and Lynwood Brown, farmer, Lawrenceville, Virginia.

The rally was closed by Mel Klenetsky, march coordinator and manager of Lyndon LaRouche’s independent presidential campaign, and the singing of the Theme Song of the International Resistance Against Tyranny: “Va, pensiero,” a chorus of the Hebrews who long for freedom as they are led into the Babylonian captivity, from Verdi’s opera *Nabucco*.

## The Martin Luther King heritage

Rev. James Cokely of the Thompson AME Zion Church, Queens, New York, delivered the invocation. Paying tribute to Dr. King, Reverend Cokely set one of the themes of the day when he said, “They may have killed a man, but they have not killed an idea, and we are here to see that his dream remains alive.” He prayed for the marchers who had gathered, he said, “with humility” but also with “determination” to win this battle.

John McGee of New Jersey, one of the organizers who helped make Dr. King’s birthday a national holiday, said, “Dr. Martin L. King is happy today. How do I know? I marched with him long before we came here, in 1963. Dr. King was one of God’s messengers. Now, the Schiller Institute is the only organization keeping the dream alive, the only organization dealing with justice. . . . We say ‘Grow Grain, Not Cocaine,’ We say ‘Economic Justice For All.’ We tell the President of the United States, grant this man LaRouche a pardon. Here is a man who, since 1978, has been telling us how to save our farms, telling us that we need to build rivers in Africa. Can you imagine what that would mean—trans-

forming a desert into an oasis!

“Dr. King said that if you haven’t found something you’re willing to die for, you haven’t lived. . . . We here must dedicate ourselves to that dream; it shall never die, it is immortal. Because of this, we should organize an international holiday for Dr. King’s birthday.”

Dennis Speed seconded this proposal, stressing of Dr. King that he was “a great American in a time when there were few great Americans.” King “exemplified the quality of divine love—*agapē*.” After praising the crowd for having braved intense efforts to keep them from attending, Speed also challenged them: “The question is whether you would be willing to do what Dr. Martin Luther King did. He had a burning desire for justice.”

Illinois civil rights leader Barbara Goudeau told the crowd, “LaRouche is a God-sent messenger. When someone speaks, as LaRouche does, about I Corinthians 13”—referring St. Paul’s discussion of *agapē*—“you know he must not be killed. We must keep him alive.”

### **Helga LaRouche: ‘inalienable rights’**

The message of Helga Zepp-LaRouche, founder of the Schiller Institute, was then read to the Martin Luther King Day rally: “You, who have come here today from different social and ethnic groups and from different countries, you are fighting for the most precious thing we as human beings can possess. You are fighting for the inalienable rights of all human beings on this planet, and for the dignity of man in the image of God.

“And is this not a poor, suffering world? Is it not a shame that today in the 20th century there are literally billions of people who are condemned to death by hunger and disease, if the policies of the leading governments are not changed? Black Africa is already dying. Most people in the developing countries will be killed, if these policies are continued. The people living under communist dictatorships are threatened with starvation and already now are living in a situation in which they see little hope. And last but not least, there is a growing number of very poor people in the United States, for whom cruel poverty has taken away the basis for a dignified human life.

“There is one man in America, who has taken the burden and misery of all the people on this planet on his shoulders, who has devoted his life to develop programs and solutions to improve life for every individual, both economically, as well as culturally and morally.

“This man, Lyndon LaRouche, has now been convicted in the most incredible political show trial in U.S. history. This injustice must be reversed. Many good and moral people in the whole world understand, that if he were eliminated, no other nation and no other people on Earth would have a chance.

“Therefore, let us all appeal to President Reagan, that he should undo this injustice and pardon Lyndon LaRouche.

“Many of you will remember, that four years ago, we pledged in our march on Martin Luther King Day, that we would come back again and again, until we have won human rights for all of mankind. So be it. So help us God, through our arm!”

### **Stop the KGB-OSI frame-ups**

William Nezowy, President of the American-Ukrainian Political Action Council of the United States, said that justice under the law is no longer true or possible in the United States. There is blatant injustice by the Office of Special Investigation under the Department of Justice, he said. Americans’ lives are destroyed, by these U.S. collaborators of the KGB, using KGB-fabricated documents to get at ordinary citizens and threatening them with being “deported” to the Soviet Union. In 1979, Nezowy reported, he instituted impartial hearings on this matter.

“LaRouche is now under attack by the very same forces,” he continued. This shows that any citizen can become a victim of OSI “justice.” They don’t care about people, about law, about evidence, about the fact that a person’s integrity is beyond reproach.

Professor Yang, representative of the Free Chinese who escaped from Shanghai, was accompanied to the podium by an interpreter and a colleague who waved the flags of the Republic of China and the United States before the enthusiastic crowd. “I am honored to participate in this rally in memory of Dr. Martin Luther King. When he was killed I was in jail in Shanghai. I am familiar with the violation of human rights. . . . Let’s use the example of how Martin Luther King spent his life to eliminate injustice in the whole world. I hope everybody will support those seeking freedom and justice. I found out in China what happens to those who speak out. Now I see it is happening here. Let us say that it will never happen again.”

Representing both farmers and “eaters,” Jack Hall, a former president of the National Farmers Union in Virginia, reported, “I am 77 years old. In my lifetime, we have had to accept prices less than the cost of production for 20-30 years. We ask you to support LaRouche in his efforts to feed the world. We’re talking about feeding everyone in the world who is hungry.”

Rally coordinator Mel Klenetsky concluded, “This effort will not stop here, it’s a springboard to future action. As we gather here, we have the memory of our founding fathers, the temple of liberty, beacon of hope. We have the responsibility for souls yet to be born.”

Part of the crowd marched to the Organization of American States to support the Mexican oil workers union against the mass jailing of its leadership, carried out on orders from the same crowd out to murder LaRouche. The rally was led by internationally known anti-drug fighter Dennis Small, one of the LaRouche Seven framed up by the Justice Department. An indoor rally at Constitution Hall followed.

# Defense budget cuts threaten U.S. strategic collapse

by Leo Scanlon

The release of the \$305 billion FY1990 budget proposal by the outgoing Frank Carlucci team at the Pentagon has been called a non-event by most veteran defense reporters who know that no matter what proposal is sent by this secretary, or the incoming John Tower, the Congress will make hash out of it. Nonetheless, the real story of the budget can be told by looking at the proposal which has been sent up to Capitol Hill: that this is a bare-bones budget which faces catastrophe from either the threat of Gramm-Rudman automatic cuts, or the actuality of a budget collapse.

Gen. Maxwell Taylor once quipped that American military strategy was an incidental by-product of the congressional budget process. Because of that absurd reality, we are now approaching the point where we will have neither a budget nor a strategy. Several graphs supplied by the Department of Defense illustrate the fundamental problems this defense budget is facing.

The first graph illustrates the proportion of federal outlays (actual money expended) consumed by defense spending over the last 20 years. Not surprisingly, it shows that in 1955, the government allocated 57% of its outlays to defense spending, but the figure has dropped precipitously, almost every year until now, to the present level of 25% or so. Not exactly the "budget-busting expenditures" that the international financial press is so fond of talking about.

The second graph compares defense outlays to the total Gross National Product, and also shows that there has been a continuous decline from 12% in 1955 to 5% today. This proportion is distorted by the change in the internal composition of the GNP: In 1955, there was a certain amount of actual industrial production and production for export, whereas today there is little or none, and 12% of something is a whole lot more than 5% of nothing!

So, if defense spending has been dropping as a proportion of federal outlays and as a proportion of GNP, for 20 years, why is there such a crisis atmosphere surrounding this budget item? The answer is that the crisis is in the national economy, not the federal budget. The problem is that the physical economy is so reduced, that further cuts in the rates of production and procurement of basic military necessities do not yield

any real savings. Each cut in the budget at this point, wipes out whole capabilities, without which some strategic commitment of the United States internationally must be abandoned.

For example, this budget proposes a 2% real increase in spending. This figure is a rhetorical device, employed in behalf of a campaign to keep spending levels increasing in NATO nations and Japan (the truth is, that for a good number of years, it has been the United States which has failed to match the spending increases of its allies). In order to avoid draconian increases in taxes, and to meet the deficit-reduction guidelines of the Gramm-Rudman-Hollings bill, the federal deficit must come in at about \$110 billion. This isn't going to happen, so there will be the "need" for further cuts, and the 2% increase will disappear. In fact, if the rather optimistic forecasts of the Congressional Budget Office prevail, the deficit will be minimally \$141 billion, and Gramm-Rudman-Hollings automatic cuts would reduce defense outlays by 20%!

Before analyzing what that would mean, take a look at the actual structure of the current budget proposal. Most of the money actually spent on a yearly basis goes to purchase weapons that were designed and purchased by contract years before. Payroll accounts for about 25% of the budget, and operations and maintenance count for about 14%. There is very little room to maneuver among these basic spending categories, and on a yearly basis, there is no more than 10% of the defense budget that is actually discretionary.

Thus, all significant cuts in the budget have very real effects, especially in the long-term production costs of major weapons systems. The 1990 budget is inheriting problems which have become acute over the last several years, and especially so following the \$50 billion reduction agreed to at last year's "budget summit." In gross terms, this budget makes "savings" by eliminating the Midgetman missile, reducing the force structure of all the services, and keeping Research, Development, Testing & Engineering (RDT&E) funds flat. Spending on the Strategic Defense Initiative, a measly \$5.6 billion, is the only target standing, and is going to get hit no matter what.

## Diminishing returns

To save money on weapons acquisitions, the units procured per year are reduced, and the total number of units can be cut. Stretch-outs, which affect almost every weapon now in production, of course increase the unit cost of each weapon ultimately purchased, and you "save" that money only once, while the costs accumulate in each subsequent year.

The Democratic Study Group, a liberal congressional think tank, points out the bind this eventually produces: A \$100 million cut in 1990 appropriations for aircraft procurement would produce on average about \$7 million in 1990 outlay savings. A \$100 million Navy shipbuilding cut would produce about \$3 million in 1990 savings. Overall, a 5% defense cut would save only \$8.9 billion in 1990 federal outlays—and that is the only figure that counts in the Gramm-Rudman sweepstakes!

Nonetheless, the current budget is forced to reduce further the rate of procurement of major systems, below the reductions mandated by the last budget summit.

The Air Force's F-16 Falcon and F-15 Eagle are both being bought at reduced rates. Purchase of F-16s was reduced from 180 to 150, and the F-15 from 42 to 36.

The Navy EA-6B (electronic warfare version of the A-6 attack fighter) has been reduced from 9 to 0. It has also reduced purchase of HARM missiles from 1,649 to 1,142, and has dropped a CG-47 class cruiser altogether.

The Army has reduced purchase of the M-2 Bradley Fighting Vehicle from 624 units to 600.

Opponents of defense spending on Capitol hill are screaming that this is a trick. They universally oppose any effort by the military to "lock in" economical rates of production by promising a steady, multi-year guaranteed purchase rate, which would allow the producers to plan rationally their manpower and tooling needs. Unless a program can demonstrate at least 12% savings over the projected cost, it must be subject to yearly review by congressional committees. The Pentagon is nonetheless requesting that numerous programs that don't make that cut-off point be allowed to move into multi-year procurement.

## Cut operations, maintenance, troops

The next available target for savings are the costs associated with the operations and maintenance of the weapons that already exist. In this area, the situation has been grave for a number of years. The current budget is generally flat compared to earlier reduced levels of funding; thus there is a continuous erosion due to inflation.

The budget will take two ballistic submarines and two wings, or about 72 Air Force planes, out of operation next year, and will have to cut ammunition accounts by 12% from the 1989 level of funding. The latter is a particularly nasty economy measure, as ammunition stocks have been historically low for more than a decade. There was a slight boost in this area in the early Reagan years, but according to one

observer, in the 1990 budget, "We're crashing."

The plan will cut operation of armored combat vehicles from 850 to 800 miles per month, in order to fund the introduction to the field of the AH-64 Apache helicopter, and other new equipment.

The Navy is introducing one Trident II submarine into the fleet, but plans to equip the older Trident I with the modern Trident II weapon system are delayed until 1993. It should be mentioned that the Soviet Union fields three submarines for every one operated by the United States, and they have been making startling strides in propulsion technology, it now being openly admitted that the Soviets have developed silent magnetohydrodynamic (MHD) drives for certain classes of attack submarines.

The Air Force will reduce the tactical fighter force in the Guard and Reserves, and flying hours will remain at about 19 per month. Naval aviators will fly about 25 hours per month. Experienced pilots consider these levels much too low, even dangerous, especially considering the mysterious crashes that have shut down combat training in the European theater.

The cumulative effect of past years' budget cuts is most obvious in the big show that preceeded the release of the budget, over base closings. Backlogs of maintenance and construction requirements in the domestic basing system help contribute to the appearance of "unreasonable cost" associated with certain U.S. bases. The base closing commission then targeted bases to be closed, in large part, based on the resale value of the real estate the base was occupying!

When all is said and done, over 20,000 civilians are facing dislocation or unemployment. There is no real way to calculate the effect of this on the national tax base, since these figures are ultimately doctored beyond recognition. The statisticians claim that these unemployed will be reintegrated into the system—but these calculations are based on studies done the last time this happened, in 1977, and that was a completely different economy. The irony is that in the case of Chanute AFB, in Rantoul, Illinois, the training base had been almost completely renovated in the last few years.

The savings from all this? No more than \$600 million per year, and it will cost \$500 million to get the program started! One fact that is seldom mentioned, is that the military has been prevented from doing this domestically by political considerations. Not so overseas, where bases have been reduced 30% over the last 10 years.

This then brings us to the last big item—troop cutbacks. If pay and retirement and living conditions continue to deteriorate, some volunteers will be driven out of the force. Others will be given "early out" and retired out of the system, but this won't save any real money. The big target, so much aimed at by the appeasers, is the wholesale gutting of troop commitments to U.S. allies in Europe and Asia. The destruction of these treaty arrangements is the bottom line in any further defense cuts.

## Will Admiral Watkins keep the SDI alive?

To some in Washington, the most significant appointment made by President Bush was the one he waited the longest to make—that of Adm. James Watkins as Secretary of Energy.

There are three major reasons for this: 1) Watkins's familiarity with nuclear power, 2) his sensitivity to the national security aspects of energy policy, and 3) his seminal role in launching the Strategic Defense Initiative (SDI) program in 1983.

However, there remains a big "if," because insiders here say that Watkins has changed. They point to his "cop out" role as the head of the Special Commission on AIDS created by the President in 1986. The Watkins commission defended the "civil rights" of the virus, putting more emphasis on protecting the victims of AIDS from discrimination than on demanding a crash program to find a cure. Also, Watkins's language when his nomination was announced reflected a desire to propitiate those who, under the guise of environmentalism, are seeking to destroy the nuclear industry.

Watkins spoke of "striking a balance," a "natural harmony" between the "interests of the environment and those of nuclear energy and our national security needs."

But perhaps we should wait and see. Many say he was too far out of his element with the AIDS commission. Some strong SDI proponents are ecstatic that he was chosen for the Energy post. His role will be decisive in determining whether some of the most vital programs to the future of SDI, such as those at the Lawrence Livermore National Laboratory, are kept alive.

## A career centered around nuclear power

Watkins's entire early career in the Navy was centered around nuclear power. He graduated from the Naval Academy in 1949, and the U.S. Naval Postgraduate School in 1958 with a masters in mechanical engineering.

He immediately joined the Navy's nuclear propulsion program, part of Adm. Hyman Rickover's joint Navy/Atomic Energy Commission program to develop small, powerful reactors to propel submarines and ships.

Watkins's first assignment was at the Atomic Energy Commission's Oak Ridge, Tennessee School of Reactor Technology, and he went from there to the Naval Nuclear Power Training Unit in upstate New York. He later served as executive officer aboard the *Snook*, a nuclear submarine.

In 1962, he joined Rickover's staff in Washington. In 1964, he took command of the *Snook*. In 1967, he took command of the *Long Beach*, the first nuclear-powered cruiser.

Over the next 15 years, he was Commander of the Sixth Fleet, Commander of the U.S. Pacific Fleet, and in 1982, became Chief of Naval Operations.

## 'Secretly, within a tiny power cocoon'

Watkins's role in the decision to launch the SDI program, announced in President Reagan's historic speech of March 23, 1983, is documented in Hedrick Smith's book *The Power Game: How Washington Works* (New York; Random House, 1988).

Smith reports, based on an interview he did with Dr. Edward Teller in early 1987, "Watkins had been worrying for some time that the nation was near a dead end in the offensive arms

race. Hunting for new ideas, Watkins lunched with Edward Teller on Jan. 20, 1983. He was moved by Teller's vibrant optimism about emerging defense technologies and his worrisome assertions that the Soviets were already hard at work on strategic defenses."

When Watkins took on the cause, Smith reports, "as a devout Catholic, he added a moral argument: 'We should protect the American people, not avenge them.' Later, Reagan hungrily grasped that line."

During a meeting of the Joint Chiefs of Staff with President Reagan on Feb. 11, 1983, Watkins presented the idea to the President, with some critical backing from White House Chief of Staff William Clark and National Security Adviser Robert McFarlane.

It was Clark, Smith reports, who pushed Reagan to move quickly on the idea, and to develop the concept "secretly, within a tiny power cocoon," as Smith put it, until suddenly springing it on the world with his famous March 23 speech.

Smith recounts the uproar among policymakers in the administration when they heard of Reagan's plans, including an instance in which Secretary of State George Shultz yelled, "You're a lunatic!" at a colleague who supported the idea.

Smith quotes Watkins, "The President shocked the system. It's unfortunate it was done so piecemeal with people ricocheting off the walls. But maybe that's the only way to do it. If the President did it the logical way, he'd have been beaten by the bureaucrats. The problem in this town is, you can't study anything at length, because everyone studies it right along with you, and you get defeated before you start it."

Hopefully, Watkins will keep his own words in mind in his new job.

## James Baker charms foreign relations panel

James Baker testified on Jan. 18 before a hearing of the Senate Foreign Relations Committee, whose members heaped praise on the secretary of state-designate, indicating that he would be quickly confirmed by the Senate. Baker's nomination was roundly approved by the committee, and recommended to the Senate.

Baker endorsed the Reagan administration's policy of working with Moscow on a broad four-part agenda of arms control, regional conflicts, human rights, and bilateral issues, and suggested that the superpowers might cooperate on other "global problems" such as terrorism, narcotics trade, and the environment.

Contrary to a recent column by William Safire in the *New York Times*, which claimed that Baker was a strong proponent of holding a human rights conference in Moscow in 1991, Baker claimed that he had reservations about the conference, telling the committee that he had not been involved in the Reagan administration decision to support the idea. "I have had some reservations in watching the issue develop," said Baker, "even during the election campaign, about the wisdom of holding the human rights conference in Moscow."

With regard to Soviet leader Mikhail Gorbachov's "reform" policy, Baker said that he was "impressed by the changes which have taken place in the Soviet Union, and what Secretary Shultz and the President have achieved there. I think those are dramatic changes . . . and I don't think that there can be any criticism of the progress that's been made there."

Baker declined, however, to give a date for resumption of the U.S.-So-

viet negotiations on strategic nuclear arms and said that the new administration "must take a hard look" at negotiating positions in a review that has been endorsed by President Bush.

Baker, the author of a notorious plan to gouge the debtor countries of Ibero-America, focused on Mexico in his comments, saying that a solution to the crisis there had to be found so that debts can be repaid. The Baker Plan also involves selling off Mexico's state-owned petroleum company Pemex to acquire funds for debt repayment. Objections to the sale by the leadership of the Mexican oil workers union led to extraordinary police-state measures against them by the newly elected government of President Carlos Salinas de Gortari, a move which President Bush called "bold and courageous."

Baker also said that he does not expect improvement in relations with Panama as long as Gen. Manuel Noriega is its most powerful leader.

## Moves to wreck defense procurement

Several members of Congress, spurred on by U.S. Attorney Henry Hudson's "Pentagate" witchhunt against firms involved in defense contracts, are now putting forward various proposals to "reform" the procurement process, the most radical of which calls for the creation of an independent acquisition corps or agency that would make all purchases for the military. Other proposals would require that consultants to military contractors be registered with the Pentagon.

Similar proposals had been introduced in Congress last year, although

they languished in committee and were strongly opposed by many industry representatives and Pentagon officials. Following Hudson's raid on the Pentagon in June, and the first round of indictments issued on Jan. 6, Pentagon officials are presumed to be more malleable this time around.

In addition to consultant registration, there may be an effort to require all defense contractors to certify that they have not obtained any inside information that would give them an unfair advantage over competitors. Congress is also expected to prod the Defense Department into developing more explicit guidelines on what contract information can be released to defense contractors during the bidding process and what should be considered off limits.

The restrictions placed on the industry, although ostensibly motivated by a desire to "rationalize" the procurement process, would, in effect, tend to put a serious brake on the entire process by creating a witchhunt atmosphere among firms involved in the defense industry and scaring off others from ever getting near a defense contract.

## Congress to create millionaire pensioners

A study conducted by the National Committee on Public Employee Pension Systems reveals that, with the 50% congressional pay raise recently passed, the average member of Congress would receive \$1.5-2.4 million in total congressional retirement pay, depending on future cost-of-living adjustments and average life expectancies.

In retirement, lawmakers on av-

erage would collect \$500,000 more in congressional pension benefits if their annual salaries are boosted from \$89,500 to \$135,000. "It's just unaffordable to pay such obscenely generous retirement to the most elite retiree group in the country," said Hastings Keith, a former seven-term Republican congressman from Massachusetts who heads the foundation that did the study.

## **T**he budget debate: jockeying for position

After considerable attack from Democratic congressmen on the Reagan budget proposals, Senate Minority Leader Robert Dole (R-Kan.) challenged the Democrats to produce their own budget—one that meets the Gramm-Rudman-Hollings deficit reduction target. "That way," said Dole, "when the Bush administration takes office, everyone's cards will be on the table."

Both sides want to seize the high ground prior to a budget summit between Congress and the new administration that many feel is likely to occur this year. Each wants the other side to put forward stringent austerity measures—with or without a tax hike. Bush has said he will provide Congress with a list of proposed modifications to Reagan's budget, which includes proposals for harsh restraint in many entitlement programs, like Medicare.

It is believed that Bush will address the issue in a joint session of Congress in early February, perhaps asking Congress to participate in budget talks.

Part of the see-sawing included a statement by Office of Management

and Budget director-designate Richard Darman, who said that Bush was prepared to take the automatic Gramm-Rudman sequestration cuts, although this would chop more than \$20 billion in budget authority from the military, an attitude which has been heavily criticized by outgoing Secretary of Defense Frank Carlucci.

Many budget experts doubt that Darman truly believes that a sequester would be acceptable. Yet for all their maneuvering, there is one major element that neither the incoming administration nor Congress can forecast: how long the financial markets will remain patient. On Wall Street, some analysts are already growing nervous. "The people in the markets aren't going to like these games at all," Paul Boltz, vice president at T. Rowe Price Associates in Baltimore, told the *Washington Post*. When the glitz of the inaugural festivities is past, and the ugly reality of the economic crisis makes itself felt, the "games" will become deadly serious.

## **C**ongress tries to slow down corporate takeovers

In lieu of a more far-ranging policy to deal with the economic avalanche about to befall this nation, Congress is promising to slow down leveraged buyouts (LBO). There is growing indignation about deals in which corporate managers, investment bankers, and takeover financiers stand to make millions of dollars after buying out shareholders with borrowed funds and then selling some of the assets of the newly purchased companies to pay off their loans.

Starting with hearings at the end of January, the Senate Finance and House Ways and Means committees

will examine whether tax deductions for interest payments encourage corporations to load up with debt, and also the broader question of whether corporate debt poses a danger to the economy.

The legislators are approaching the problem with a certain amount of caution, however, since the last time they threatened to tax corporate mergers—in October 1987—the stocks of takeover targets slipped. Three days later, the stock market crashed.

Nevertheless, the problem is so extreme, that Congress can no longer avoid trying to deal with it. The wave of LBOs has "gone to excess," said Lloyd Bentsen (D-Tex.), chairman of the Senate Finance Committee. Bentsen said that he was "deeply concerned" that the heavy burden of debt taken on by corporations will lead to more bankruptcies if the economy slips into a recession or interest rates rise.

Taxation will be at the top of the priority list as a means of curtailing risky takeovers. But aside from taxes, many other issues have been raised by the record-breaking binge of buyouts, so that Speaker of the House Jim Wright (D-Tex.) has organized nine key committee leaders into a special group to develop a coordinated approach to legislation. "Leveraged buyouts, hostile takeovers, acquisitions, mergers, and monopolistic trends in general" are on the agenda.

Curtailling the takeovers is, of course, easier said than done. Sources at the Paine Webber brokerage firm told the *Washington Post* that takeovers will continue because they are "based on a structural reality of the U.S. economy: The economic value of many U.S. companies exceeds their stock prices" or, as one Wall Streeter put it, "These companies are worth more dead than alive."

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# National News

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## Gramm-Rudman would devastate defense

To let the budget deficit trigger the automatic Gramm-Rudman sequestration or budget cuts, "would be devastating to the Defense Department," outgoing Defense Secretary Frank Carlucci said Jan. 16 in a television interview on the "This Week With David Brinkley" program.

Incoming Director of the Office of Management and Budget Richard Darman had been threatening Congress with precisely this step if they fail to agree to enough cuts in domestic programs to meet the Gramm-Rudman deficit guidelines without imposing a tax increase.

Carlucci said that he had already cut the "force structure down to the minimum" where we can "still maintain the rotation schedule." It's as "thin as we can stretch it," he said, without creating major problems. "Further cuts might impact our overall strategy," he warned.

Carlucci said that the 2% real growth in defense spending which the administration has requested in the FY90 budget just sent to the Congress was below NATO targets.

Carlucci cautioned against using the Gorbachov offer of troop reductions as justification for cuts in defense. So far, he said, "all we've heard is statements of intent, no tangible change in doctrine. Shifts in posture would be premature." He noted that "Gorbachov's figures don't add up."

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## Defense moves to halt 'LaRouche case' repeat

The defense attorney for Rochelle Ascher, the first of 16 associates of Lyndon LaRouche scheduled for trial in Loudoun County, Virginia for "conspiracy to commit loan fraud," is demanding full individual questioning of prospective jurors in an attempt to prevent the blatant jury-rigging and prejudice which resulted in the runaway jury which convicted Lyndon LaRouche and six associates in Alexandria, Virginia federal

court on Dec. 16. Mrs. Ascher's trial is scheduled to begin under Loudoun County Circuit Judge Carleton Penn on Jan. 23.

Judge Penn has refused to consider two motions made by defense attorney John Flannery to change the venue of the trial outside Loudoun County, where Mr. LaRouche lives, unless he is unable to seat a jury. Flannery has documented the extensive pattern of lurid local adverse press coverage, which makes a fair trial for associates of LaRouche seem next to impossible.

The case against the 16 defendants began as a "securities fraud" case, but the Commonwealth of Virginia added conspiracy counts in the fall of 1988, making it almost identical to the Alexandria case. On Jan. 14, the similarity to Alexandria became clearer as the government's key witnesses, including dropouts from the LaRouche political movement, Charles Tate, Chris Curtis, Richard Yopez, Steven Bardwell, and Wayne Hintz, were the same.

Federal prosecutors in the Alexandria case were aided by the refusal of Judge Albert V. Bryan to allow evidence of the government conspiracy against LaRouche and his associates into the trial.

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## Why Tokyo can not bail out Bush

Lyndon LaRouche released a new essay on Jan. 15, entitled, "Why Tokyo Can Not Bail Out Bush," which explains that it is possible for Tokyo "to postpone the next major U.S. financial crash for as long as six months, even slightly longer," but that such a possibility "depends upon certain factors outside the control of either Tokyo or the Bush administration."

LaRouche warns President Bush that he "may not have six months margin for stalling" on the financial crisis. First, LaRouche points out that "the underlying problem is, that the international monetary system as a whole is the biggest John Law-style financial bubble since the great financial crash of 14th-century Europe."

Second, LaRouche warns Bush, "The other leading problem is, that certain Euro-

pean-based financier powers intend to pop the bubble, as a means for breaking the sovereignty of the United States, and for putting the U.S. itself under the same general kind of IMF 'conditionalities' now applied to debt-ridden Third World nations. The key additional problem is, that certain powerful elements of the U.S. establishment are prepared to serve as accomplices in this sort of operation."

"This set of circumstances poses the question," LaRouche continues, "whether the combined resources of a Bush administration and Tokyo were sufficient to resist a really determined effort by the relevant European financier forces. The plotters against the United States have the advantage of reversed financial leverage. . . ."

"What if the U.S. dollar takes a nose-dive, at the same time that U.S. public and private bonds drop similarly, and some major troubles occur in the highly volatile sector of leveraged buy-outs (LBOs)? A run against the U.S. financial markets, under those conditions, is something which would overwhelm the combined resources of the Bush administration and Tokyo. On that account," LaRouche says, "we are already looking down the barrel of a financiers' gun."

The Bush forces are not even considering how to solve the financial bubble, LaRouche states, the solution to which is detailed in his August 1982 report, *Operation Juárez*.

The full text of the essay is to be published in *New Federalist* newspaper, Vol. II, No. 3, in January.

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## Buchanan attacks OSI abuses

"It's time OSI was brought out into the sunlight," wrote conservative columnist Patrick Buchanan in his syndicated column, "Dividing Line," Jan. 18. The Office of Special Investigations inside the Department of Justice, has framed up and deported U.S. citizens whom the Soviets have targeted as "Nazis." One such case is John Demjanjuk, who was illegally deported to Israel and sentenced to death there.



## Briefly

Buchanan reports that Phoenix lawyer William Wolf, the new attorney for OSI frame-up victim John Demjanjuk, has turned up what the *Arizona Republic's* Richard Lessner calls "a disturbing pattern of witness intimidation, obstruction of justice, and concealment of evidence" by the Israeli prosecutors.

The OSI has so far refused to release transcripts of interviews with witnesses which would prove that Demjanjuk was nowhere near the Treblinka death-camp, and could not possibly be "Ivan the Terrible." "The defense is being denied these documents," Buchanan writes, "because a) No such material exists or has ever existed in OSI files, in which case OSI should so state; b) The Demjanjuk file has been purged, or c) OSI is withholding exculpatory materials. If b or c is true, Demjanjuk may be the victim of a greater miscarriage of justice than Alfred Dréyfus."

Buchanan demands that the OSI "stop playing games," and that Attorney General Richard Thornburgh "insist that it stop playing games." "Surely, it is time Congress summoned the moxie to take a hard public look at OSI, and Thornburgh took control of this office from people who have run it like a fiefdom for 10 years."

Buchanan also demands that Congress look at OSI's role in the frame-up and exile of the German-born American scientist Arthur Rudolph, who has been totally exonerated of the OSI's phony charges by West German courts.

### NCPA queries LaRouche due process violations

The National Council of Public Auditors released on Jan. 18 a copy of a Jan. 11, 1989 "letter of inquiry" to U.S. Attorney General Richard Thornburgh regarding "possible areas during the recent trial of the *United States v. LaRouche, et al.* that may have abridged the due process and rights of the defendants."

"The goals of the National Council of Public Auditors are to safeguard the U.S. constitutional form of government and to

assure that its due process of law is available to every citizen or person residing within its states and territories," the letter reads. "Today foreign ideologies, communism, etc. control 49% of the population of the world . . . and they are still expanding. . . . In the past, we have attempted to roll back the tide from the barrel of a gun, and not with our greatest instruments—the Declaration of Independence, the Constitution of the United States, and its sacred due process of law."

The NCPA noted that it was not concerned with "guilt or innocence" of LaRouche, nor with the motivations of the defendants or government agencies, but with violations of due process.

It asked Thornburgh to review the allegations that the defense was "denied the common practice" of questioning jurors during their selection; that the number of government employees on the jury raised questions of "conflict of interest and possible influence from high authorities"; that the jury could not have "professionally and justly" reviewed 7,500 pages of material in about 8 hours of actual working time; and that much of the material confiscated with an overly broad search warrant "had no relation to the case and was illegally confiscated."

### Radical population control recommended

Top malthusian planner Lester Brown recommended on Jan. 14 that government intervention be used to radically reduce U.S. population levels by limiting families to only two children.

Brown is president of the environmentalist Worldwatch Institute, and many of his co-thinkers, such as William Reilly, who will head the Environmental Protection Agency, are being given positions in the Bush administration.

"Many American couples can afford more than two children, but the issue now is whether the planet can," he said. "I don't think there's anything wrong with populations declining for a while," citing the examples of Red China and Nigeria as those the United States should follow.

● **NANCY REAGAN**, in her farewell interview with the *Washington Post* Jan. 16, acknowledged her role in the current U.S.-Soviet love affair, saying, "Well, I just kept encouraging it . . . talking to Ronnie . . . just encouraging him. . . . I was all for a rapprochement between the two countries."

● **THE AMA JOURNAL** was warned by six Italian physicians in a letter which was reported Jan. 13 by the American Medical Association, that passionate kissing may be one way of transmitting AIDS. The researchers, from a Naples clinic, analyzed saliva in 90 volunteers for traces of blood before and after tooth brushing, eating, and deep kissing, and found that about half the sample normally had some blood in their saliva. Blood is a rapid means of AIDS virus transmission.

● **'THE GREENHOUSE Effect Hoax: A Soviet Plot to Takeover the Globe,'** is the title of a new *EIR* special report which has now been scheduled for publication. Mikhail Gorbachov is using "the ecologist movement as a means to accomplish the destruction of Western industrial and agricultural potential," said the Jan. 13 announcement.

● **'GEORGE BUSH** faces problems that no American President has faced before. He has lost sovereignty. If he wants to undertake some new policy, he has to clear it first with the bankers in Frankfurt or Tokyo or they will sink the dollar or cause a panic on Wall Street," pronounced political analyst Stephen S. Cohen in the Jan. 15 *Washington Post*.

● **CIA DIRECTOR** William Webster, in a Jan. 13 interview with *USA Today*, claimed that whatever the extent of Soviet backing for terrorism a decade ago, it is no longer the case today.

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## Editorial

### *Bush: Which direction?*

The United States has faced periods of terrible crisis before, but never before has the future of the whole of mankind been so tied to the choices before our President. Famine, disease, economic breakdown, and by no means least, cultural depravity characterize this period. This is the situation which the 41st President of the United States, George Bush, must face, these the problems to be solved.

If Bush follows the model of the Washington presidency, or that of Abraham Lincoln, then he will opt for the American System: a United States committed to the most rapid possible rate of development of advanced technologies and infrastructure. He will rally the American people to a sense of national mission, exemplified by such goals as the colonization of Mars within 50 years. He will carry through on his expressed commitment to atomic energy, fusion as well as fission power. He will dedicate the United States to becoming a great nation, a nation whose purpose it is to offer hope to all the children of the world.

If he means to do this, he will see that a great American who has fought for this vision of America is not jailed for the crime of such patriotism.

On Jan. 27, Lyndon H. LaRouche, Jr. and six of his associates will be sentenced on charges of conspiring to commit fraud—and in the case of LaRouche, for conspiring to avoid tax payments. The trial was a blatant abuse of justice, beginning with the denial by the judge of the right of defendants to mount a defense showing how LaRouche's enemies in government had abused their power over a period of 15 years, in their attempts to silence him.

The political persecution of LaRouche and his associates reached new levels at the time of the Reykjavik summit between Reagan and Gorbachov in October 1986. At that time, the Soviet press explicitly attacked LaRouche for his role in shaping the policy originally intended to govern President Reagan's Strategic Defense Initiative, and for LaRouche's dedication to defending the Western alliance against Soviet attempts to decouple the United States from its NATO allies, es-

pecially the Federal Republic of Germany.

LaRouche faces jail today, because there are those in the U.S. government who are willing to sacrifice the Constitution in order to win approval in Moscow. There are those who wish to see LaRouche silenced because they have a different agenda: They hope to create a 21st century in which they will share global power with the Soviets. In this scenario, economic justice for the children of Africa, Ibero-America, and Asia will be buried just as surely as the aspirations of the peoples of the Ukraine and the other captive nations have been destroyed.

Henry Kissinger was recently in Moscow, and reportedly delivered a letter from President-elect Bush to President Gorbachov. The content of the message has not been released, but the fact that Kissinger was used as the messenger has been considered a signal by some commentators. Kissinger is the author of the worst foreign policy blunders in the history of the United States. If LaRouche has had one major opponent over the last years, in his fight for economic justice for the developing sector, and in his opposition to the insane policy of Mutually Assured Destruction, that man was Henry Kissinger.

The world is watching closely what the first days of the Bush administration will bring. What happens to LaRouche on Jan. 27, will be viewed as another signal of which road America will take. If Bush follows the policies outlined by LaRouche, then even in the present situation of a global economic collapse, there is hope for mankind. If not, mankind faces a new dark age of unprecedented horror, and Bush will probably go down in history as the last American President.

If LaRouche is jailed, his life will be in immediate jeopardy, but even should he not be killed, his ability to offer the solutions to the developing crisis which will be critically necessary in the next period, will be, to say the least, constrained. Minimally, LaRouche and his associates must remain free on bail, while President Bush and the U.S. Congress take appropriate measures to see that this miscarriage of justice is rapidly reversed.

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—Friedrich Schiller,  
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