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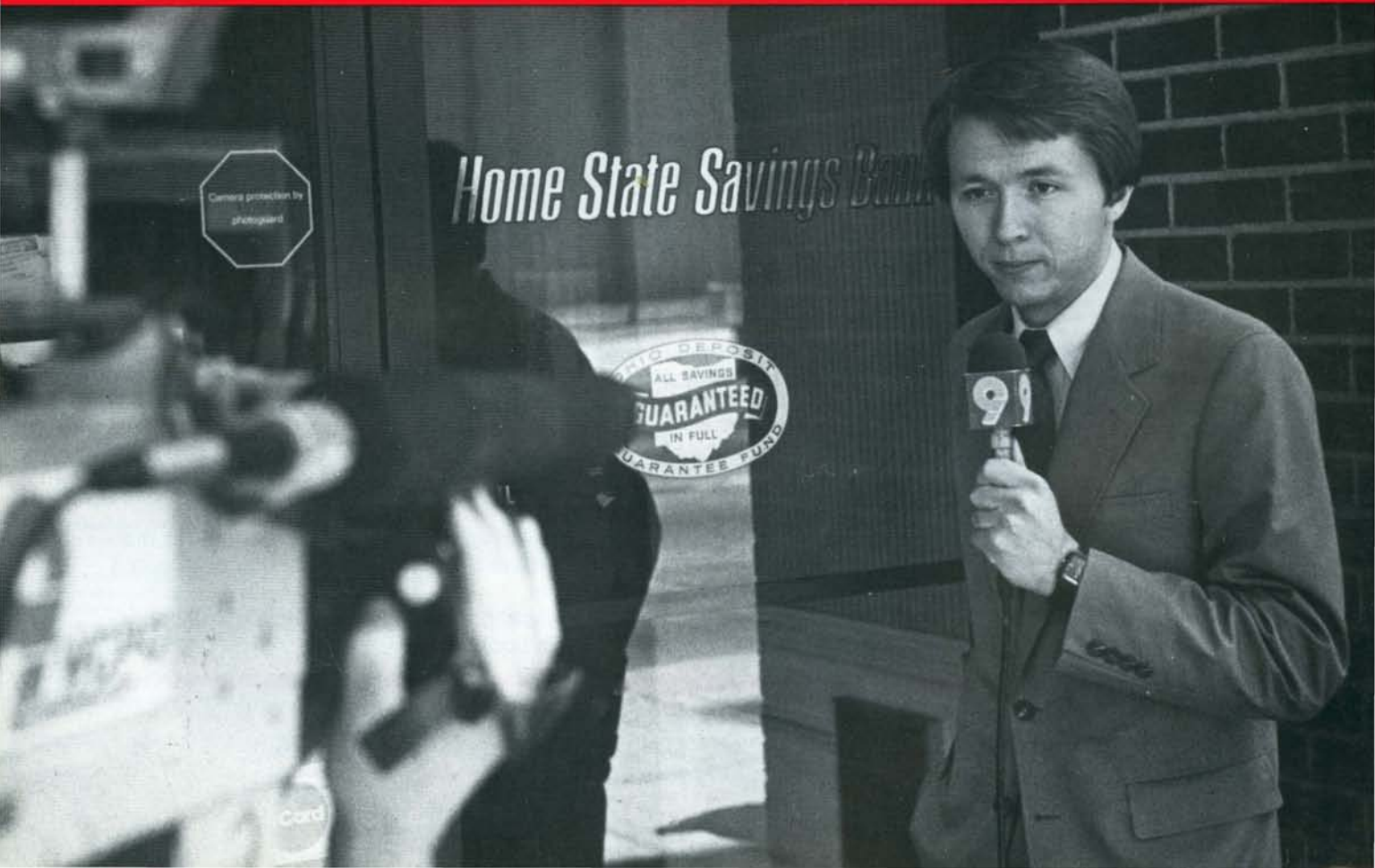
Executive Intelligence Review

July 6, 1990 • Vol. 17 No. 28

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EIR/Executive Intelligence Review (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July, the last week of August, and last week of December by EIR News Service Inc., P.O. Box 17390, Washington, DC 20041-0390 (202) 457-8840

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

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3 months—\$125. 6 months—\$225. 1 year—\$396. Single issue—\$10

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

From the Editor

Millions of U.S. television watchers who saw his half-hour broadcasts during the 1984 and 1988 presidential campaigns know, that Lyndon LaRouche has never told anyone to “read my lips.” Instead, he has been out front with the bad news about the downward spiral of the U.S. and world economy, and equally clear, direct, and comprehensive about the causes of the problem and the nature of the solution—which he described a year ago as making a “bootlegger’s turn” in the policies that have dominated the U.S. government for the past two decades and more.

With his June 26 announcement, George Bush did not take a “bootlegger’s turn”; he just backed down on his solemn campaign promise in 1988, much reiterated since then, that there would be “no new taxes.” Not that George *wants* to raise taxes—but he has run right into the consequences of the fatal weakness LaRouche pointed out at the outset of 1989 when he said: “The Bush presidency enters office with the qualifications of men and women who tend to excel at making money, without knowing how to earn it. As typified by James Baker III, the more they themselves know about money, the less they know about economics.”

Our *Feature* gathers the crucial evidence about LaRouche’s record on the economy, versus the dismal failures of those who opposed him and put him in prison to silence that voice of reason. We have extended this issue to 80 pages in order to bring the entire package to you in one week; we expect this magazine to become a standard reference work for any public official or aspirant to office who really wants to respond to the needs of the voting public.

A second major theme is tracking the advance of the neo-pagan cult movement led by Britain’s Prince Philip and Robert “Body Count” McNamara, and which goes under such various guises as “environmentalism,” “ecology,” and now “animal rights” (see especially pages 6 and 60-62). Our investigators will soon be bringing to *EIR* readers the accumulating evidence that the Soviet leadership is knee-deep in the conspiracy of Duke of Edinburgh’s crowd to destroy the Judeo-Christian faiths.

The new section on the *Statistical Survey of the Physical Economy*, inaugurated last week, will resume in our next issue, dated July 20, after our usual Independence Day summer break.

Nora Hamerman

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What ought to be on the Houston agenda

by Chris White

On July 7, the heads of state and government of the Group of Seven top industrial nations meet in Houston, Texas, together with their finance ministers and central bank chiefs. For George Bush, a preview of what will be on the table for the meeting suggests, perhaps, a healthy portion of the broccoli the President says he finds inedible. For the world at large, it is certain that the one agenda item which ought to be discussed will not be.

What ought this agenda item to be? If the world were ruled by reason, it ought to be obvious. The bankruptcy of the dollar empire would be the top priority, in the context of discussing how to organize a real economic recovery for the collapsing economies of the Anglo-Saxon world, the disintegrating economies of the Soviet Union and China, and for the billions who live in the southern hemisphere, who face a future which at this point offers only hunger and famine, plague and war. The agenda ought to feature a program for using reunified Germany as the motor for the rapid industrial and technological development of Europe, centered in the triangle that links Paris, Berlin, and Vienna—as Lyndon LaRouche has proposed. The benefits of such a “productive triangle” would spin off to other regions of the world.

Instead of this, the agenda the United States puts forward, before the summit begins, includes these three points: “At the Houston summit we will press for progress in the Uruguay Round of trade negotiations, discuss economic support for various countries, and review progress on the environment.” This was announced by President Bush at a press conference in Washington, D.C. on June 30.

West Germany’s Chancellor Helmut Kohl and France’s President François Mitterrand will put on the table a proposal

for a multibillion-dollar package to aid the Soviet Union and Africa, and Japan’s Ministry of International Trade and Industry has drafted a series of economic proposals for Eastern Europe, though Prime Minister Toshiki Kaifu has made it clear that Japan will not join the proposed Soviet package. Great Britain and Canada are expected to support the United States in refusing to put any money into a package to support the Soviet Union.

‘Free enterprise’ insanity

That listing of Eastern European and African countries presumably covers most of what Bush had in mind when he spoke of “economic support for various countries.” What, then, is the significance of the U.S. insistence that the Uruguay Round of trade negotiations—the General Agreement on Tariffs and Trade (GATT)—and “progress on the environment” be included?

The answer is twofold, reflecting both the tactical commitments of the moment, and the underlying policy which has governed the U.S. approach to these gatherings since the mega-summit process began in the middle of the 1970s.

In the Uruguay round of trade talks, the United States, through such representatives as Secretary of Agriculture Clayton Yeutter, has insisted that a time frame be adopted by participants for the elimination of agricultural subsidies.

This is the work of the free enterprise wrecking crew, demanding that governments which support food production, by guaranteeing some form of income for farmers, cease to do so. It is a policy aimed at especially the European Community’s Common Agricultural Policy, at Japan, and at Third World nations that attempt to protect their ability to

produce food. It is a commitment to concentrate food control in the hands of corporations like Cargill, Archer Daniels Midland, and Continental Grain, while ensuring that the majority of the world's population does not have enough to eat.

The heading "progress on the environment" conceals a similar intent. Using such pseudo-scientific hoaxes as "the ozone hole" and "global warming," the Bush administration is demanding the elimination of the industrial and technological capabilities on which human survival depends. A case in point is the call for a ban on chlorofluorocarbons (CFCs), on the grounds that they are destroying the ozone layer—an allegation that is without scientific foundation.

Kissingerian consensus politics

The Bush administration's Houston agenda represents a continuing commitment to policies which underlay the organization of these annual summits from their beginning. That doesn't mean a unified commitment among all participants—far from it. It does mean, since such activities are organized on the basis of what American and British liberals call "the consensus," that the underlying commitment to the evil intent gets carried along with everything else, in the name of "consensus," "coordination" and so forth.

The Group of Seven summits began during the Ford administration, under the prompting of then-Secretary of State and National Security Adviser Henry Kissinger. The chaos which had followed President Nixon's decision to take the dollar off the gold standard in 1971, and the oil shock of 1973-74, were the spurs. The intent, on the side of Kissinger and his backers, was to organize a unified front among the major industrial powers against developing sector demands, voiced by such leaders as India's Indira Gandhi, Pakistan's Zulfikar Ali Bhutto, Mexico's Luis Echeverría, and Pope Paul VI for a new just world economic order. The demand then was for a world conference, between the countries of North and South, to create such a new order.

Against that demand, the Group of Seven affirmed, from the Guadeloupe and Rambouillet summits of 1974 and 1975, the primacy of the so-called international institutions—the International Monetary Fund, the World Bank, and the GATT—and did so by insisting that murderous IMF austerity conditionalities be enforced. Conditionalities policies, so-called, were designed to enforce the commitment that unless developing sector nations devoted all economic and financial means to service of debt, they would not get new financing. The intended effect was to destroy developing sector access to advanced sector technology and capital goods needed for development. The result, also intended by Kissinger and company, who insist that the world is overpopulated, was to plunge the developing sector, led by Africa, into a new Dark Age of genocide, while pushing especially the United States and other English-speaking countries into an economic depression worse than that of the 1930s. All in the name of protecting the political power of the financial institutions

which was threatened by the demand for a just new world economic order.

Writing off the Third World

This is the nightmare which continues in the name of the trade and environment agenda for Houston. The Twentieth Century Fund and the New York Council on Foreign Relations, two of the outfits which came up with policies for Henry Kissinger and the Carter administration in the 1970s, have just published reports which make this clear. Called "The free trade debate," and "Governments and corporations in a shrinking world," the reports, authored respectively by Gary Hufbauer of Georgetown University and Sylvia Ostry, formerly chief economist of the Organization of Economic Cooperation and Development (OECD), recommend that the Third World nations be eliminated entirely from international discussions on trade. The rationale offered is that many issues now central to trade negotiations are peculiar to advanced nations—for example, regulation of industry, commercial and securities law, and anti-trust law. They claim that GATT, with almost 100 members, is too unwieldy a forum for such discussions, and advocate its replacement by the 27-nation OECD, made up of the industrial nations of North America, Europe, and Japan. In the OECD, Third World nations will have no direct input or voice.

The point isn't whether GATT should be defended or not. As an institution, it is a horror show. But, behind the U.S. emphasis on trade is coming to the surface a proposal to keep the developing sector out of international discussions altogether.

This was a featured element during discussions held June 21-24 at Ditchley Park in England, the same Ditchley Park that once gave its name to the Ditchley Group of banks, which formed the core of the international creditors' cartel. The consensus at the Ditchley Park conference was that the Third World would be "the object rather than the subject of post-cold-war history, the problem rather than the solution," according to Edward Mortimer, the feature correspondent for the London *Financial Times*, who attended the conference. It was organized on the theme "Elements of change in international relations: a foreign policy agenda for the 1990s." Mortimer reported that the consensus was that the "new world" now emerging would be a "trilateral or tri-polar" world, based on North America, Europe, and Japan, although, said participants, "we would have to camouflage trilateralism in wider global institutions."

In a sane world, these annual summits would never have gotten started in the first place. But they did; and they have brought the world to the point where elements of the Anglo-American Establishment feel free enough to put forward in a public forum proposals designed to eliminate the developing sector from the international institutions. There is only one reason to do that, and it isn't anything that anyone with a human conscience would want to be associated with.

McNamara on crusade for genocide in Africa

by Mark Burdman

Britain's Prince Philip, president of the World Wide Fund for Nature, has been leading an international drive to ensure the reduction of the human population, particularly in Africa, in order to make more room for the "wild creatures." One of his associates in this endeavor is former U.S. Defense Secretary and World Bank president Robert Strange McNamara, who is promising to carry out population reduction in Africa with the same "efficiency" with which he implemented the notorious Vietnam "body count" strategy.

McNamara was the keynote speaker at a conference on "Population Problems in Africa," which took place in Nigeria during the week of June 18, under the patronage of former Nigerian leader General Obasanjo and individuals associated with the malthusian Inter-Action Council, headed by former West German Chancellor Helmut Schmidt. The message that emerged from that event, is that the combination of AIDS and other diseases, regional and tribal wars, famines, and other disasters that have hit Africa in recent years, has not been effective enough in stopping the "population explosion" in Africa. Therefore, new approaches must be found, centered on some form of "recolonization" of Africa.

'More efficient' than Prince Philip

A source who attended the conference said McNamara "has launched an amazing crusade to limit population in Africa." This source added, "McNamara is at least as worried as is Prince Philip, but he is much more efficient in doing something about it. He's writing articles, he's traveling everywhere, he's exceedingly active."

McNamara is taking the inside role in a crude "inside-outside" strategy targeting Pope John Paul II, whom Prince Philip recently urged to drop his opposition to malthusianism. Noting that McNamara had been the first person, in 1968, to set up a population program at an American university (Notre Dame), the source commented: "McNamara is a Catholic himself, so this took courage. . . . Even if he's a Catholic, his views are totally different than the Pope Wojtyla. McNamara simply ignores the Pope."

One should not make overmuch of McNamara's Catholicism. In the past years, he has participated in the events of a gnostic-pagan outfit called the Temple of Understanding, which is an adjunct of the London-Geneva-New York-based Lucis (originally Lucifer) Trust. The temple is run out of New York's Cathedral of St. John the Divine, a nominally

Episcopalian church that sponsors pagan cults.

A McNamara admirer who attended the Nigeria meeting complained that "AIDS has all the effect of a mosquito bite, in relation to the magnitude of the problem" of population growth. "Even if you add AIDS and regional and tribal wars together, the death rates can only be counted in hundreds, while the birth rate is in thousands," he said. "It's not like the old days, when disease did a good job. In former times, with sickness, rampant infant mortality, and an average life of 29 years, things were different, but now health has improved, the average age of life is 60 years, and the continent's population is exploding."

He mooted that a "benevolent neo-colonialism" might be needed to reduce population effectively. Meanwhile, there would be no perspective of economic growth or large-scale infrastructure projects for Africa, since the continent is "fighting for survival only, and to avoid total marginalization." He said that Africa was being crushed by its debt burden, and that there were no perspective of that improving in the foreseeable future.

The AIDS apocalypse

This view is a lie, even in its own terms of reference. Even the reports made during the Sixth International AIDS Conference in San Francisco by the World Health Organization, a body which has specialized in covering up the extent of AIDS in Africa, indicate that AIDS is decimating the continent's population.

A WHO report presented at the San Francisco conference stated that for Africa, "the potential demographic impact of [AIDS] outbreaks is striking . . . when up to 20% of young adults are infected, as is the situation in many cities in Central and East Africa. . . . In these cities, current HIV infection levels could cause a tripling of the total adult mortality rate and a 50% increase in the child mortality rate during the 1990s."

According to the WHO, some 2 million women in sub-Saharan Africa were believed to be infected with the HIV virus; one out of every 50 adult men and women in this area is estimated to be carrying it; and the incidence of the disease is increasing. In Abidjan, the capital of Ivory Coast, AIDS is the single biggest killer of adults, accounting for 41% of all male, and 31% of female deaths. In parts of Zaire, tests of blood donations were indicating that one in five may be infected.

A representative from one African country reported that the total health budget per capita for his country was \$7 a year. Eunice Kierenie, from Kenya, chairman of the WHO's regional nursing and midwifery task force, told the conference: "In some parts of Africa, surviving family members are already overwhelmed by children whose parents have died of AIDS. For those of us living in areas where health hygiene, basic facilities, and the tools for communicating ideas are less established, the impact of AIDS is awesome."

Asian AIDS epidemic to rival Africa soon

by Mary M. Burdman

The AIDS epidemic now threatens the two most populous nations on Earth: China and India. Thailand is also facing an AIDS crisis. The disease is spreading most quickly in the immediate wake of ever-greater drug consumption in these countries, as huge opium crops year after year make the heroin so cheap that even impoverished Chinese and Indians can afford to inject the dope.

In Asia, as in Africa, or in America's city slums, AIDS is striking heterosexuals. There is pathetically little information available about the situation, because little testing has been done, but already rates of HIV infection among prostitutes in Bombay, India and in Thailand's second-largest city, Chiang Mai, is over 40%. Among the poorest of Chiang Mai's prostitutes, 72.2% were HIV-infected as of a full year ago.

Southern China and India are among the most densely populated areas in the world. These are huge tropical areas. While the possibility of AIDS transmission by insects has been hysterically denied by the AIDS research mafia, independent researcher Dr. Mark Whiteside has presented compelling evidence that that is just what happened in the tropical southern United States.

AIDS hitting China

Even the Chinese Communist government, which for years has churned out propaganda claiming it had eliminated drugs and prostitution, suddenly has had to admit the opposite. Up until this year, the government had insisted that there was no AIDS problem in China except among those few who associated with "foreigners." But on Feb. 7, the official Xinhua news service reported that by the end of 1989, one hundred ninety four people infected with the AIDS virus had been found on the Chinese mainland — and only three of them were not Chinese. AIDS had spread to 10 provinces and autonomous regions, the report said, and local governments had been told to carry out — at their own expense — a ban on prostitution, drug trafficking, and drug addiction. This fivefold rise in reported cases came only from testing "high-risk" groups.

The same day, China's state radio quoted senior Health Ministry official Dai Zhicheng that AIDS in China "is no longer a myth. The spread of this disease is in fact very serious. . . . Our abilities to control this disease are limited

and we do not have the whole situation in hand."

If the Chinese authorities admit to over 100 cases of AIDS, the situation is very grave, the China editor of Hong Kong's largest newspaper, the *South China Morning Post*, told *EIR*. He said that the figures the officials give must be taken as only 10% of the real number, so that it is very possible that there could be 1,000 deaths from AIDS in the near term. The world must take the situation very seriously, he warned, because AIDS will spread very rapidly in China.

Yunnan, the southern province of China that borders on Burma, is the focus of the problem. Yunnan, part of the "Golden Triangle," has long been the center of drug production and trafficking in China. Last year police arrested 2,000 drug addicts in the provincial capital city of Kunming alone, and the 146 cases of AIDS infection were found concentrated in Ruili county on the border. At least 69

tended to death for drug trafficking in Yunnan last year. The province is now putting all diagnosed AIDS virus carriers under local quarantine, and is attempting a three-year plan to contain the disease. Carriers must register so their movements can be traced; and AIDS-testing operations are being expanded. But poverty has reduced treatment to the pathetic: Traditional herbal medicines are now being tested for a possible cure.

'Rock Hudsons' in India

The deadly drugs-AIDS complex is now spilling over into bordering regions in India. In the eastern Indian state of Manipur, close to the Burmese border and an influx point for Burmese-Chinese heroin, the first HIV-positive patient was recorded in January. In the last six months, more than 220 people have tested positive. Out of this grouping, 214 are intravenous drug users and six donated blood. There are an estimated 15-20,000 drug addicts in Manipur.

In the cities, the problem is worse. In Bombay, 40% of the 100,000 prostitutes are infected with AIDS, estimates Dr. Geeta Bhavé, the head of the Indian government's only AIDS surveillance center. Dr. Bhavé told the British daily *Guardian* that the government had budgeted almost no money to deal with the crisis, and she attempts to treat infected prostitutes — all of whom go on taking customers, some up to 20 a day — with homeopathic medicine, which is all she can afford. The government maintains that there are only 2,167 cases of HIV infection among the 461,118 people tested in the screening program begun in 1986, but this is a gross underestimate, Dr. Bhavé and others state. Many desperately poor "professional" blood donors who are HIV-positive continue to sell their blood, by going to towns where they have not been screened.

But it is not only the poor in India who are infected. Dr. Bhavé reported that her program also gets blood samples from the "five-star" hospitals patronized by India's upper classes, and many are HIV-positive. It is only a matter of time before India has its own "Rock Hudson" AIDS death.

East Germans form association for independent agriculture

Rosa Tennenbaum

Have you read that there is no interest in East Germany in private agriculture? Well, that is clearly the hope of many politicians, including some in the West. But, in fact, the exact opposite is true: All those who have remained in agriculture in East Germany after 40 years of terror are now considering how to make themselves independent. They are attempting to find out what conditions, such as taxes and the cost of production, exist in the Federal Republic of Germany, and are calculating whether they will have the basis for existence, given the land they have. How great the interest in free agriculture actually is, was demonstrated impressively at the founding conference of the Association of German Farmers (VDL), which took place on June 16 in East Berlin. Since only a small space was available, the association had to strictly limit the number of participants to 300. Nonetheless, 600 came, and, under normal circumstances, there would have been easily double that number.

In February, the board of the State Collective Farm (LPG) changed the name of the "Union of Mutual Farm Assistance" (VdgB), the farm association that was founded by the ruling Socialist Unity Party (SED) in the 1950s as the instrument of collectivization, to the Farmers Association of the German Democratic Republic. They have been attempting to build themselves up as the only representation for agriculture—with the same old program. They intend that the LPG will survive, that large-scale agriculture will remain the dominant form in East Germany. Nothing is to change in the German Democratic Republic (G.D.R.), only the word "private" was to be inscribed on everything.

Gerd Winzer, who was elected in the afternoon as president of the VDL, expressed in his speech the disappointment of farmers in the following words: "It must not be, I thought at that time, that the quiet revolution should pass over agriculture without leaving a trace. I began to look around for people who thought the same as I, and found some here and there. Our conviction was, we have to take matters into our hands, waiting would ruin everything." Thus, at the beginning of the year, they began, moving slowly, to call the association into existence. At the founding conference for all of East

Germany, there were already organizations in every state, as well as district and local associations.

Winzer discussed the most recent history of the G.D.R. He described how forced collectivization led to many tragedies. Thousands of farmers were forced off the land to avoid ending up in the prisons of the communists. Agriculture was thus robbed of its most capable individuals. Farmers were forced into the LPGs, where they had to work like hired hands under the leadership of political cadre who often knew nothing about agriculture. East German agriculture, which before the war was among the most productive in Europe, was devastated and is today the picture of misery.

Farmers not only had to bring their land, their cattle, and all their buildings and machinery into the LPG; they even had to pay for their forced entry. In total, the capital (called the investment contribution) that farmers had to bring into the LPG was 5,000-7,000 marks per hectare. Farmers received no interest on this capital, received no rent on their land, and the buildings that the LPG used were not maintained. Barns were used until the roofs fell in on the cattle and were then abandoned. Today, farmers are literally standing in the ruins: Their fields are in bad condition, access roads have been destroyed, and so forth.

Winzer urgently warned in his speech against hanging on to present structures. Cartelization and concentration are the greatest danger since the LPGs offer a profitable object for Western corporations. "Here, in one fell swoop, they could gain control of 6,000 or more hectares. If a Western corporation can't do that, it will take them years and they will spend millions on trials." The second possibility is that the LPGs "will turn themselves into corporations and then take action against their own members like wolves in sheep's clothing." Additionally, the LPGs are not competitive: "An LPG with 6,000 hectares must pay at least 1.2-1.5 million deutsche-marks (DM) in rent. Over the 30 years that they used the land without compensation, that comes to DM45 million. With that, things can be managed, and yet the LPG couldn't do it," he said, referring to the miserable agricultural condition that two-thirds of the LPGs are in.

Property must be restored

The most urgent demand of the association is the immediate and total restitution of property. In so doing, the many debts that burden the LPGs must not be portioned out among the farmers. "We entered without debts, and we want out without debts," Winzer said, to the applause of his listeners. Members who wish to leave on July 1 must be able to take this year's harvest with them since they also entered with the harvest. The LPG law must be immediately canceled, the national cooperatives broken up and dissolved. "We want a renaissance of free agricultural structures," he said.

The young president (Winzer is 35 years old) attacked the numerous attempts by LPG officers to save their "stolen property and their power." A favorite method now is to turn the LPGs into corporations. Agricultural workers (members who brought in no land) have to pay DM3,500 and farmers have to bring in seven hectares of land. A bank, however, would loan DM168,000 on the seven hectares. "Landowners are thus to bring in 96 times what those who bring in no land have to pay. That is simply fraud."

Return of the land and the buildings is the foundation of free farms. The LPGs have to refund the investment contributions and additionally pay a lump sum amount per hectare and per year as rent. These amounts will come to hundreds of thousands of marks even for small farms, and will be a welcome assistance in starting up for private farms. "If these demands are met, then all the LPGs are bankrupt," Winzer said at the meeting. Further, he demanded from the government a reconstruction program for farms, a credit program, assistance with the development of machines and advisory groups, educational programs, and so forth. "The future of Germany can only be with free farmers having a maximum of 200-300 hectares of land. That is also an eminently important political question since, as Freiherr vom Stein earlier stated, whoever has land, ultimately has power."

Winzer's speech was unexpectedly interrupted by a visit from Prime Minister Lothar de Maiziere. In a brief greeting, he thanked the farmers for participating in the revolution, and because they had made sure "that during the revolution bread did not become scarce." With their votes in the elections they had, additionally, made clear that they wanted German unity. He encouraged the farmers "to join together their usually somewhat quiet voices" and to make their justified demands with pride.

Germanys back single-farmer farms

The East German Agricultural Minister, Dr. Peter Pollak, said that his participation in the founding conference was not an exercise of duty: "I quite positively welcome the founding of this association." The shared statement of the two German governments on property "had essentially facilitated my presence here." Three days before, Bonn and East Berlin had agreed, after lengthy negotiations, that the post-1950 expropriation would be countermanded. This will create the founda-

tion for the restoration to owners of their rights. There was agreement that land and buildings must be given back. The goal of the governments is "a multiply structured agriculture based on agrarian freedom."

The governments intend "to comprehensively support single-farmer farms." The cooperatives would be required to return property and to support members in the construction of independent existences, he assured them. On questions of European Community (EC) market structures, the private farms are to be "placed on a fully equal basis" with the cooperatives. The association will be a "welcome partner" in the reform of agriculture. Understandably, there was a great sense of relief among the audience after this speech since, hitherto, the attitude of the government on this question has been extremely equivocal.

The vice chairman of the association, Ulrich Orling, was one of those who had to pay a high price for forced collectivization. Since his farm was over 100 hectares, he was attacked as a "large farmer," and thrown into prison by the communists. Orling recalled that the association very quickly formed in the states, and was already the target of attacks from opponents. He himself learned that painfully. The Farmers Union (DdGB) slandered him with absurd accusations. Orling was forced to answer with a lawsuit, and decid-

Overpopulation Isn't Killing the World's Forests— the Malthusians Are

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ed, because of this controversy, to withdraw his application for the presidency.

He put forward, as one of the most important tasks of the association, "to clarify the value of land to individuals." Orling calculated the debts of the LPGs as on the average DM2,500 per hectare. The widespread tactic of the LPGs, to pay out the investment contributions in the weeks before the currency union (higher amounts are converted at only a 1:2 ratio) "are for us only a payment on account since free availability determines property, and that only begins on July 2." The surplus of workers in agriculture should be deployed in a focused way for improvement of infrastructure, the Han-over-Berlin railroad should be built more quickly and improved, and more roads are urgently needed, Orling said.

Schiller Institute made this possible

The Schiller Institute, a policy think-tank founded in 1984 by Helga Zepp-LaRouche, has vigorously supported the development of the association from the beginning. How important this support was and is, was made clear in many speeches. The vice chairman of the Thuringian state association, Heinrich Beier, interrupted his speech to say, "I would like to use this opportunity to sincerely thank the Schiller Institute for what you have done for us. The association could not exist without that and your publications." Peter Orling also expressed his thanks in similar words.

Rosa Tennenbaum of the Schiller Institute appealed in her speech to the association not to simply submit to EC guidelines, but also to defend the interests of the members in this matter. There is every reason to think that the G.D.R. will take extensive acreage out of cultivation and slaughter up to a million cattle while the supply situation grows worse on the borders of the G.D.R. The agricultural policy of the EC should be changed, and this association could do much on this, since it is "not corrupted," she said.

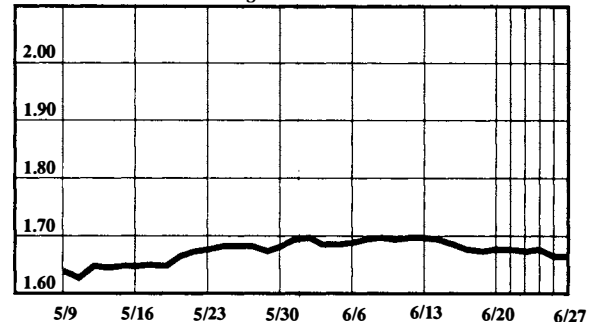
The mood of the participants was militant. In the discussion, the demand was made that the goal of the association must be to eliminate the VdgB. One member related how his 44-hectare farm had been completely ruined by the LPG. The LPG law created a foolish license for the cooperatives, but on July 1 "when the law is abolished we can finally put a check on them." Some months ago, he filed a suit against the SED party and the government with the superior public prosecutor of the G.D.R. "because of coercion and extortion according to Paragraph 129 and Paragraph 127 of the penal code" committed against him during the forced collectivization of 1960. He still has not received an answer.

Despite opposition and all the intimidation, there is a broad movement for private agriculture in the G.D.R. Forty years of suppression and terror have only made the wish for independent activity in free and personal responsibility more urgent. "We want to be what we always were," Heinrich Beier summarized the desire of those present: "We want to be free farmers."

Currency Rates

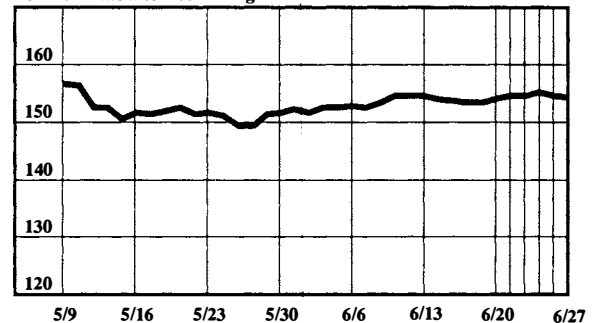
The dollar in deutschemarks

New York late afternoon fixing



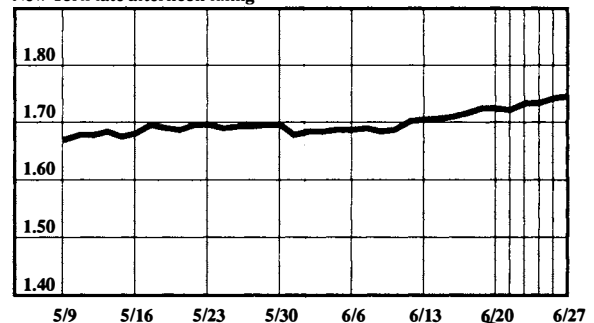
The dollar in yen

New York late afternoon fixing



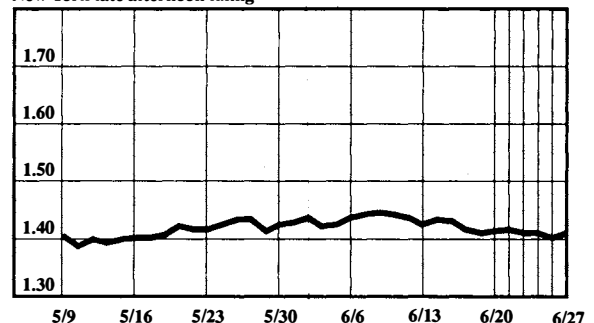
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Bush's free trade pact means genocide

by Valerie Rush

In a major foreign policy address June 27, President Bush proposed a hemispheric "free trade zone," modeled on the free trade pact the U.S. and Mexico will begin negotiating in December, whose purpose will be to loot the entire Ibero-American continent. Bush's initiative, which he dubbed an "Enterprise for the Americas," is premised on recommendations made last March by the Trilateral Commission, the supranational coordinating body for the Anglo-American elite which pulls the strings of the Bush administration.

Paving the way for the Bush initiative has been a months-long propaganda barrage by U.S. government and related thinktanks and their Ibero-American co-thinkers, threatening the governments of the continent that if they don't open their economies to this "free-trade" scheme, they will be abandoned to a "New Dark Age," as Rand Corp. doomsayer David Ronfeldt suggests. According to the *Los Angeles Times* of June 24, Brazilian monetarist and former Finance Minister Roberto Campos similarly warned that Ibero-America could be left an "economic backwater" since its potential investors have been frightened away by "obsolete nationalism" and "unrealistic unionism."

Bush spelled this out, lying that the "economic lesson of this century is that protectionism stifles progress—and free markets breed prosperity." In reality, it is just the reverse. There is not a case in the last two centuries of a country industrializing without heavy protectionism, while "free trade" has always been the rallying cry of countries seeking to economically dominate weaker countries, precisely as Bush's hemispheric "free trade zone" is intended to complete U.S. economic domination over Ibero-America.

A partnership for suicide

Billed as a "partnership for the '90s," Bush's initiative toward Ibero-America is, in fact, a recipe for collective suicide. Specifically, the Bush proposal urges 1) dropping all trade barriers among the nations of the hemisphere; 2) eliminating the "regulatory burden" which serves as an "impediment to international investments" in Ibero-America; and 3) debt reduction based on debt-for-equity and debt-for-nature looting schemes. The only money Bush offered for his "Investment Fund for the Americas," was \$100 million a year to force "investment reforms" such as privatization of state industries, banking, and resources, which he "volunteered" from the Inter-American Development Bank. Bush said he

would ask for another \$100 million each from Europe and Japan.

The elimination of trade barriers between such disparate economies as that of the United States and its southern neighbors not only makes Ibero-America's cheap labor pool a target for colonial-style exploitation by runaway U.S. shops, but will also be used to smash U.S. wage levels by blackmailing workers with the ever-present threat of moving industry south of the border.

Further, with the establishment across Ibero-America of sweatshop assembly plants on the Mexican *maquiladora* model, the U.S. economy will find itself buried under a flood of cheap imports from the Trilateral Commission's new "Hong Kongs" south of the Rio Grande. It is doubtful that the already-depressed U.S. industrial sector, now saddled with the restraints of the Clean Air Bill and other innovations of the "read my lips" Bush administration, would survive such an inundation.

Investment in such light industry, labor-intensive assembly plants is the core of Bush's actual policy. The idea is to create, as Vice President Dan Quayle recently put it, "America 1992" to counter the creation of "Europe 1992." The use of low-wage Ibero-American labor will permit U.S. multinational companies to export, cheaply, to the markets of Europe and Japan, the regions that the United States now regards as its chief economic enemies. Inside Ibero-America, the effect will be the abandonment of any project to develop real industrialization, including heavy industry, adequate infrastructure, or high technologies, which will be reserved for the already developed countries.

A Trilateral debt approach

Most revealing as to the authorship of Bush's proposal are the debt reduction schemes contained in his "Initiative for the Americas." Although he sheds copious crocodile tears over the plight of the debt-burdened "little countries" in Ibero-America, Bush only comes up with outright reductions on a mere \$7 billion in concessional (that is, government aid agency) loans. More significantly, Bush formally endorses the employment of debt-for-equity and debt-for-nature swaps in selling an unspecified portion of another \$5 billion. Bush especially emphasizes how the offer of debt reduction can be used to blackmail the nations of Ibero-America on environmental issues, with Brazil's Amazon a special coveted target.

Both debt figures referenced in the Bush initiative represent a drop in the bucket of Ibero-America's total foreign debt, which surpasses \$400 billion. However, the name of the Trilateral game is how to prop up that house of cards known as the U.S. banking system. With the productive U.S. economy already sacrificed to the obscene rites of the environmentalists, the deregulators, and other such free-marketeters, Anglo-American control of Ibero-America's remaining profitable assets is the only course remaining to the bankrupt financial establishment.

Brazil's President opts for chaos

by Peter Rush

Brazilian President Fernando Collor de Mello has been in office for 100 days, yet he cannot get his program through Congress and the courts, and his policies are increasingly unpopular with a growing number of citizens, including those representing the nationalist current in Brazilian political life. The first 100 days have disappointed those who were uncomfortable with many of the liberal monetarist features of Collor's program, but who also saw aspects of his initial set of measures that might have contributed to growth. Instead, those initiatives have gone nowhere, while Collor's commitment to monetarist policies, combined with numerous concessions to Brazil's enemies, are producing economic chaos and worker unrest.

So far, more than 100,000 industrial workers have lost their jobs in the state of São Paulo alone, according to a June 14 announcement by the Industrial Federation of the State of São Paulo—more than 60,000 from March 15-April 30, and another 47,447 in May alone. This drop is 5.2% of the total work force in the state, and more than 10% of the industrial work force. Federation President Carlos Eduardo Uchoa Fagundes told the press that he was "shocked" at the figures, and said, "This is a critical moment. We have reached a point of rupture."

On top of that, the Collor administration has promised to lay off 90,000 civil service workers immediately, and another 270,000 as soon as possible. Industrial production is now projected to fall by 10% this year, and there are no alternative jobs for these fired workers. Even inflation, which was 9.1% in May—down from 80% the month before Collor came to power—is moving up again, and the main anti-inflation measure taken in his first week in office, the freezing of \$120 billion in private checking and savings accounts, is now "leaking" worse than a sieve and cannot be relied on to suppress further price increases.

In any case, the prime factor in holding down inflation in March, April, and May was the fact that workers had not gotten their customary inflation-indexed cost-of-living adjustment since February, so, by some calculations, the buying power of the salaried segment of the population had fallen by more than 50%, naturally depressing sales and prices.

Now, the labor movement has embarked on a strike wave in opposition to the layoffs, while the labor courts have begun

ruling in favor of large wage increases. Several courts have already granted wage increases of 166% to some workers. Earlier in June, the Collor administration lost a crucial decision in the Supreme Court, which ruled that the government could not legally reintroduce a decree that had just been voted down by Congress. The decree in question was an order prohibiting the labor courts from granting large wage increases. In response to the rebuff, Finance Minister Zelia Cardoso announced that Collor was prepared to bring on a sharp recession, if that was the only way to stop inflation.

No strategy for development

Collor lacks any vision for the development of the country. He has neither said nor done anything about restarting long-overdue investment in Brazil's electricity, transportation, and mining industries, which are the keys to long-term growth. Even prior to his election, Collor received a copy of the document issued by the Superior War College (ESG), which outlines a plan for transforming Brazil into an industrial giant over the next decade, and defending it from the Washington-London-Moscow axis which has designs on its sovereignty (see *EIR*, June 15, 1990, "Sovereignty is non-negotiable, Brazilian Army tells superpowers").

Collor apparently didn't take the ESG document, entitled *1990-2000: The Vital Decade*, to heart. The June 23 issue of the Rio de Janeiro paper *Tribuna da Imprensa* made this point when it attacked the government's economists for only being concerned with the "financial economy," and identified the root cause of Brazil's economic difficulty as "the insufficiency of physical production," and the monetarist fixation on shrinking consumption to fit the inadequate production.

Nationalist opposition speaks out

Certain sectors of the country's elites who oppose the government's policies, have indicated they are prepared to act. Former Government Minister Aureliano Chaves, who maintains close ties to a faction of the Army, has begun a lecture tour across the country, criticizing Collor for trying to return to *laissez-faire*, by indiscriminately selling off the state sector of the economy and overthrowing the nation's institutions. Chaves is closely identified with the building up of Brazil's state sector companies. Columnist Carlos Chagas, reporting on Chaves's upcoming tour, said that the government's course is "destined to turn Brazil not into the great power which all hope for, but into a second class colony."

Collor's response to the ESG document has been to give free rein to his environment minister, José Lutzemberger, who is backed by the international pagan environmentalist movement. On June 6, Lutzemberger issued a 10-point broadside calling on the government to replace "the conceit of development" with "a strategy of eco-development," to make concern for the environment the national priority, and to place severe limits on industry and agriculture on this account.

Europe's nuclear fuel cycle: a bottleneck to economic growth

by William Engdahl

On June 5, Japan's Ministry of International Trade and Industry (MITI) announced its plans to construct an additional 40 nuclear power reactors in Japan, doubling the present capacity of electric generation from nuclear sources. The rapidly growing Asian economies of South Korea, Taiwan, and, most recently, Indonesia, have all moved to institute significant new nuclear programs in recent months. Yet the nuclear requirements of the emerging economies of Eastern Europe—presently choking in inefficient and filthy lignite coal power plants—are just beginning to be assessed as a vital component of strong, rapid industrial modernization.

The requirements of new nuclear plant capacities worldwide, and immediately in the western part of Europe, will very soon become a critical bottleneck to future industrial growth (see *EIR*, April 27, 1990, "Nuclear energy base crucial to European industrial reconstruction"). We review here Europe's critical nuclear fuel cycle capacities, the elements in the process without which not a single watt of nuclear electricity would exist. This review leaves aside the question of more advanced technologies that are also required, such as the fast breeder reactor and fusion power.

According to data from the Nuclear Energy Agency of the Organization for Economic Cooperation and Development (OECD), in 1990 the world will produce only slightly more uranium than nuclear reactors will consume. Fifteen years ago the United States was the world's largest uranium mining producer and the world's largest commercial reprocessor. Today, the United States is the world's largest consumer of uranium fuel, with 107 gigawatts-electric (GWe) of operating reactors. But owing to federal government environmental policy and refusal to regard uranium mining as a vital strategic interest, the country has little control of its own uranium supply and processing.

In terms of supplies of "yellowcake" (a mixture containing 75% uranium), the U.S. firm Energy Resources International estimates that for the next 5-10 years, the 1980s trend of "excess uranium supply" will continue, with the biggest demand question being the rate of expansion of nuclear capacities in Western Europe. Because of the numerous nuclear plant cancellations in recent years, OECD countries have been left with a backlog of uranium stock equal to some four years' consumption, which has resulted in a price collapse

from the highs of \$36-40 per pound for yellowcake in the mid-1970s, down to about \$10 per lb. today. The effect of this price collapse has been to drive numerous U.S. and other uranium mines out of business, leaving the rest cartelized in the hands of a tiny number of global giants, such as London's Rio Tinto Zinc.

Uranium ore processing

The emerging economies of Eastern Europe desperately need a significant increase of electric generating capacity and—for real environmental considerations as well as economic ones—must turn to clean, safe, and efficient nuclear generation. They will need to purchase much of this from Western Europe, and the constraints of the present uranium ore-processing capacity in the West are significant in this respect.

Western Europe today has the following capacities for processing uranium ore (measured in tons of uranium oxide— U_3O_8 —per year):

Belgium:	50
France:	5,410
West Germany:	125
Greece:	150
Spain:	830
Total European Community:	6,565

In 1988, total non-communist world uranium ore-processing requirements were almost exactly equal to capacity, a dangerous state, to say the least. This demand totaled 46,000 tons of U_3O_8 per year. This capacity tightness had been only somewhat improved by 1990, with new capacity being added, but in the context of large, new nuclear plant orders in Europe of 75-250 GWe over the next decade and a half, we simply do not have at present sufficient uranium ore-processing capacity in the world. With construction lead times of an estimated seven years to build new ore-processing plants, it is urgent to begin this now. The European nuclear industry today has made clear that it must have government assurances that it will not be bankrupted by Green sabotage or legal wrangles, if it is to make such a new and costly commitment, as with all aspects of the nuclear fuel cycle,

including revival of a broad-based European fast breeder and a high temperature gas-cooled reactor (HTGR) development program as the next generation.

Uranium refining and enrichment

Out of total world uranium-refining capacity, France and the United Kingdom held 41% (as of July 1989). This breaks down as follows (measured in tons of U_3O_8 refined per year into uranium hexafluoride— U_6F_6):

France:

Pierrelatte (NatU): 14,000

Pierrelatte (RepU): 350

Malvesi: 14,000

United Kingdom:

Springfields: 11,200

Total European Community: 39,550

Uranium for use in light water reactors must have concentration of fissionable U-235 to a level of 3.5-5%, depending on the design of the reactor. Enrichment is measured in Separative Work Units (SWUs). Worldwide present enrichment capacity for civilian fuel is 35 million SWUs per year. Of this, 19 million, or about half, is in the United States, in a program run by the Department of Energy—an incredibly bungled operation which is losing its world monopoly by overcharging and mismanagement.

As of Jan. 1, 1989, when the new U.S.-Canada Free Trade Agreement went into effect, Canadian uranium became exempt from U.S. Atomic Energy Act restrictions that block import of enriched uranium for U.S. reactors. This means a major boost to Canadian and British enrichment markets and a probable further closing of U.S. capacity.

We mention this, because it bears on the issue of demand for European enrichment capacities. The United States has recently shut down 29% of its enrichment capacity—9 million SWU worth—further driving U.S. electric utilities onto the European market for long-term contract supplies. The U.S. Department of Energy has, as a result, lost a major share of its previous contracts to enrich uranium for Western European nuclear reactors, placing further demand pressures on existing European Community (EC) enrichment capacities. Given the U.S. budget uncertainties in the coming several years, it would be a prudent assumption that U.S. enrichment capacities will not be a very reliable source for needed enrichment, in face of an expanding European demand.

Here is what presently exists in EC uranium enrichment capacity (measured in SWU per year):

France: 10,800,000

West Germany: 450,000

Netherlands: 1,200,000

United Kingdom: 950,000

Total European Community: 13,400,000

This represents 31% of total world enrichment capacity of 43,705,000 SWU per year. If we exclude the special case of the 10,000 SWU per year of Soviet capacity, the EC share of enrichment capacity is fully 40% of the Western world's capacity. The U.S. capacity at present is 19,130,000 SWU per year. If that is closed in any significant way for budget reasons, we have a world enrichment capacity crisis at hand. Current U.S. nuclear industry requirements alone are for 10 million SWU per year. With only their current plants under construction, in several years France and Japan will each require some 6 million SWU by the mid- to late-1990s. Given the growing geopolitical uncertainties, the Japanese government recently stepped up plans for its own domestic enrichment capacity, but this will at best give only 1.5 million SWU by end of this decade.

World enrichment demand versus capacity today is in slight surplus, but only slight. As of OECD data from July 1989, capacity was expected to exceed demand annually in 1990 by 14 million SWU per year.

The death knell last year for the Wackersdorf nuclear reprocessing facility in West Germany eliminated with it the prospects of reprocessing spent fuel rods to meet this demand. Current expansion of capacity is, however, planned by France's Eurodif and the U.K.-Dutch-German Urenco consortium, which has enrichment facilities in operation at Capenhurst in the U.K. and Almelo in the Netherlands.

Given the recent U.K. government decisions regarding nuclear industry and electricity privatization, British participation in such future plans are somewhat doubtful. British Nuclear Fuels (BNFL) is a member of the Urenco consortium.

One very promising area being pursued in France and, at least until recently, in Germany, has been laser enrichment techniques to replace aging gas diffusion capacities. Under the AVLIS method—which was originally developed in the United States, at Lawrence Livermore National Laboratory—U-235 atoms can be selectively "excited" by existing high-power copper vapor lasers, and then electromagnetically extracted. There remain technical materials handling problems with this promising new enrichment method, including use of materials which resist corrosion with uranium at 2,500° Kelvin.

There is also another avenue for future enrichment using laser-catalyzed chemical reactions, known as CRISLA. Developed by the firm Isotope Technologies in California, CRISLA may become economical in low-level enrichment of uranium for power plants using an infrared carbon dioxide laser. The energy requirements to drive this type of separation process in laboratory results are some 300 times less than the conventional energy-intensive diffusion techniques. If diffusion consumes 2,500 kilowatt hours (kWh) per SWU, CRISLA consumes 10 kWh per SWU and AVLIS some 40 kWh per SWU. Ultracentrifuge consumes some 50 kWh per SWU.

The gutting of America: Investment in electricity generation dries up

by Anthony K. Wikrent

Beginning in 1988, areas in the United States began to experience occasional reductions in electricity, and even some complete interruptions—not because of an extraordinary accident, but because the United States no longer has sufficient electrical generating capacity to meet peak demands. Spokesmen for the electric utility industry and other experts are warning that this situation will worsen, unless the United States begins to add new capacity for generating and distributing electricity. But the U.S. electrical equipment industry has been so decimated by a decade of declining orders, that it no longer even has the physical capacity to rebuild its electricity generating and distribution capacity.

The first area to feel this latest effect of the collapse of the physical economy was the Northeast, which in the summer of 1988 experienced a number of temporary voltage reductions (brownouts), and even a few complete interruptions of service (blackouts). In February 1989, severe cold weather and snow storms in the Pacific Northwest drove electricity demand so high, that the Bonneville Power Administration was forced to cut back power to the large aluminum production plants of Intalco near Ferndale, Washington, and of Kaiser Aluminum's plants at Mead, near Spokane and Tacoma, Washington.

Another severe cold wave in December 1989, which dropped two inches of snow on the northern Florida Panhandle, caused a statewide demand of 33,883 megawatts (MW)—a peak demand that was not expected to be seen until 1995. In a desperate attempt to provide minimal service without endangering the electric system's equipment, Florida electric utility companies instituted "rolling blackouts"—cutting off all electricity to one locale for a period of time, then restoring service, while cutting off a different area—on Dec. 24 and 25.

In June 1989, the U.S. Council for Energy Awareness, the trade association for the U.S. nuclear power industry, issued an analysis which warned that during 1990-91, the U.S. electricity capacity margin—electricity generating and distribution capacity that is maintained as an operating margin for unusual peaks in demand, or extraordinary reductions in capacity because of accidents or repairs—would fall below

the minimally acceptable level of 17%. The council noted that the Eastern Seaboard of the U.S. had fallen below that margin in 1988, leading to 37 occasions when available reserves fell below the 6-7% of the capacity safety level mandated by the New England Power Pool.

By December 1989, the New York-New England area had suffered 11 brownouts. The Greater Boston Chamber of Commerce estimated that these electricity service disruptions caused the loss of \$86.8 million in economic revenues in the state of Massachusetts alone. The U.S. credit-rating agency, Standard and Poors, Inc. issued an analysis that the declining reliability of electricity service in the region threatens the creditworthiness of the entire area.

Actually, even a 17% capacity margin is not adequate, since about 30% of peak demand is determined by the weather. A 20% capacity margin has historically been considered the minimally safe margin for electricity generation in the United States. But by 1988, out of the nine regional electricity reliability systems, only two were at or above that margin.

Depression mentality rules planning

These crippling shortages of electricity are occurring because the shift by the U.S. to a post-industrial economy, increasingly enforced by environmentalist fanatics, has curtailed the addition of new electricity capacity (see **Figure 1**). Not only have U.S. electric utilities ceased beginning new projects, but many projects already begun were terminated before completion.

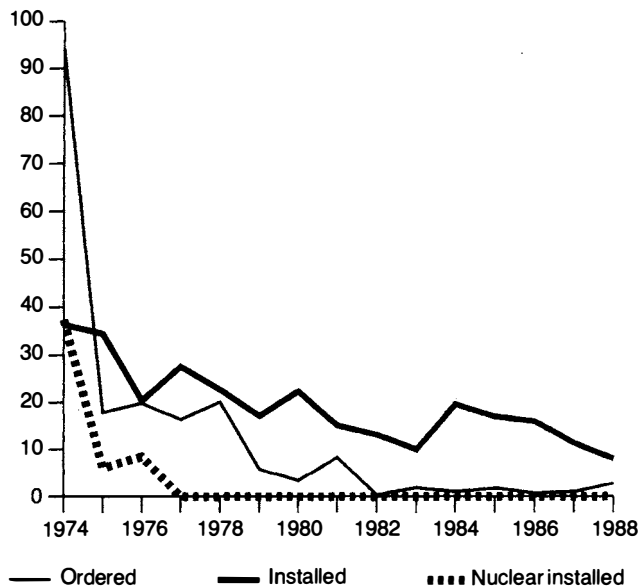
Faced with a Luddite assault on nuclear power by the environmentalists on the one hand, and on the other by U.S. financial markets hostile to investments in basic economic infrastructure with the attendant low rate of return, U.S. electric utilities committed themselves to plans for increasing capacity by only about 72,180 MW between 1988-98 (plus about 30,000 MW being added by independent power producers). Their plan was based on the assumption that demand for electricity would grow only 2% annually—less than even the 2.8% growth in the immediate aftermath of the 1973 oil crisis (see **Figure 2**).

Sales of electricity in the United States grew 4.5% in

FIGURE 1

Orders and installations of turbines for electric utilities are grinding to a halt

(thousand megawatt capacity, in contiguous United States)



Source: Edison Electric Institute.

1987 and 5.1% in 1988. Industry analysts predict that such growth rates will continue, meaning that in fact, 250,000 new megawatts of capacity is needed. It is also highly unlikely that even the planned addition of 72,000 MW will actually be built, since only 44% of that is currently under construction. And a major unknown is what will happen to the 107 coal-burning power plants, mostly located in the Midwest, which will be unable to comply with the new Clean Air Act amendments.

Spreading the poverty

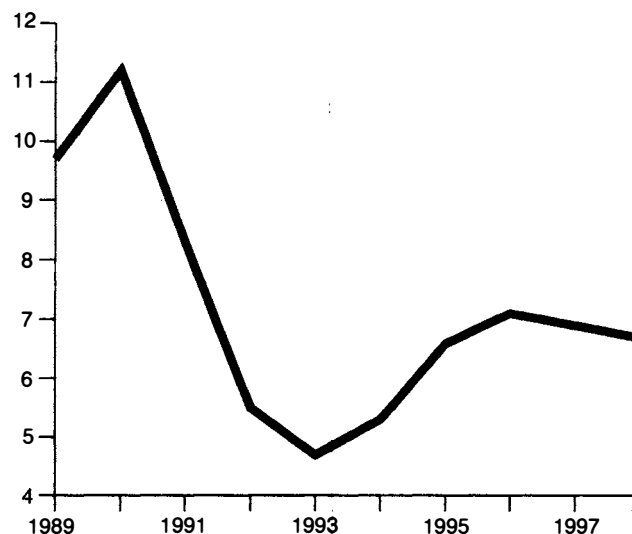
Rather than adding new electricity generation capacity, utilities began to “wheel” power among them: If one region had a surplus of power, it delivered it to a region that was short. Though this capability is critical in an emergency, when equipment is down, it has now been done on a continuous basis for nearly two years, as a way of allowing utilities to avoid building new plants.

Wheeling has also been extensively used for short-term cost-cutting by replacing electricity generated with higher-priced fuels, such as oil, with power that is cheaper, such as hydroelectric. This has been done on an hour-to-hour basis. Wheeling of power has placed enormous stress on the transmission system, and has left many power lines operating at above 90% of capacity for significant periods of time. This decreases the ability of the utilities to respond to genuine emergencies, and threatens the reliability of the entire system.

FIGURE 2

Projected additions to electric generating capacity indicate vicious economic cycle

(thousand megawatts)



Source: North American Electric Reliability Council.

Unlike the transport of other commodities, where an interruption in one spot can be quickly isolated (water mains turned off, for example), a disturbance occurring at any one point in an electricity distribution system will be felt at all other points in the grid, and cannot be easily isolated. There is no way to separate the electricity flowing through the power lines that is replacing power in an emergency, from power being wheeled between utilities to save money.

Similarly, according to the North American Electric Reliability Council, “Electricity transfer from one portion of an interconnected area will, to some extent, flow over all transmission lines, not only those in the direct path of the transfer.” If there is a problem, voltage collapse and instabilities can occur in fractions of a second, and may destroy a critical piece of equipment somewhere else in the distribution system.

If there were to be an economic upsurge in manufacturing industries, and a return to the 6-8% per year growth of electricity demand of the 1960s, the United States would face an immediate crisis, not just because the new capacity being built is wholly inadequate to meet even present, truncated demand. More importantly, because the United States has lost the ability to manufacture critical equipment for the electrical industry, such as interrupters and high-voltage circuit breakers, and is rapidly losing the capability to produce other equipment, such as transformers, large steam turbines, and control panels.

Case study: the transformer industry

A clear example of how the United States has destroyed itself economically is provided by a study of the transformer industry. The steep decline in construction of new electricity capacity has caused the electrical industrial equipment and electrical generation equipment industries to dramatically “downsize” over the past decade. The downsizing of transformer production is a catastrophe because of the nature of the product, and because transformers are key components in the electricity distribution system.

Large power transformers, of 10,000 kilovolt amperes (kVA) and above, are used to step up the voltage of electricity generated by a power plant, usually between 2.4 and 30 kilovolts (kV) to the higher voltage (sometimes as high as 765 kV) required to move the current efficiently through hundreds of miles of transmission lines. These power transformers are known as generator transformers. Along the transmission lines are other power transformers, known as shunt reactors, which operate to keep the voltage up to the required level over long distances. Where two different transmission systems interconnect, autotransformers adjust the voltage level of one system to the other.

Once the current reaches the location where it must be divided into different distribution systems for delivery to end users, “substation” or “step-down” transformers are used to step down the voltage of electricity from the high-power transmission lines to the lower voltage required for local power line distribution, usually 345 kVA, but ranging from one to several hundred kVA.

All these different types of transformers are known generically as power transformers. Each is custom-designed and tailor-made to meet its specific application, as well as other specifications of the utility purchasing the power transformer. Such factors as the length and particular features of the transmission line, and the characteristics of the load being served, can vary significantly between applications. The typical price of a power transformer runs well over \$1 million.

Other transformers will further step down the voltage to 230 kVA or 115 kVA for final delivery to distribution transformers, which reduce the voltage to 110 volts to serve two to five residential homes. The most common distribution transformer used in the United States is rated at 25 kVA, but may range as low as 4 kVA and as high as 138 kVA. Industrial plants are served with 440 volts, and may be served by distribution transformers of up to 500 mVA, but 5 mVA is most common. The market for distribution transformers is primarily determined by new residential construction.

Generally, the higher the voltage in the line, the less the loss of current. However, the equipment needed to handle the higher voltage can cost considerably more than that needed for lower voltages.

The unique design of power transformers imposes extraordinary burdens on manufacturers. Because there is no set standard design, they cannot be mass produced, nor is it

possible to build up inventories. Rather, manufacturers must retain the sophisticated engineering and scientific personnel needed to design them, supervise their production and installation, and test them, along with the highly skilled work force needed to fabricate and install them according to design. Moreover, the immense size and weight of power transformers requires very large manufacturing facilities and equipment, including overhead cranes able to lift up to 500 tons, and testing equipment able to simulate the most adverse operating conditions, such as lightning strikes. Massive vacuum and pressure chambers are needed to remove all moisture from the completed unit, and to force the impregnation of dielectric (non-conducting) oil in the internal windings.

These considerations dictate a much larger burden of fixed costs for transformer manufacturers than is normal for other manufacturers in other industries. A steady volume of orders is required to keep unit costs price competitive. Underutilization of manufacturing capacity drives up unit costs disastrously, making the manufacturer increasingly uncompetitive, and increasingly unable to support the research and development expenditures required to sustain a technological position. The demand for power transformers is thus very inelastic, being almost entirely derived from the addition of new electric power generation and distribution capacity.

It was exactly this process, where declining orders forced declines in production capacity, that has engulfed the U.S. power transformer industry and has shrunk it to less than half its size since the 1970s. No better example can be found of how the physical economy is destroyed if it is subordinated to financial and monetary considerations—such as a blind ideological belief in “free” markets, or “free” trade. After the market for power transformers peaked in 1974 at 293,012 megavolt-amperes, it collapsed to 66,004 mVA by 1984, as utility companies ceased adding new generating or transmission capacity. New orders for power transformers in 1988 were only 83,872 mVA (see **Figure 3**).

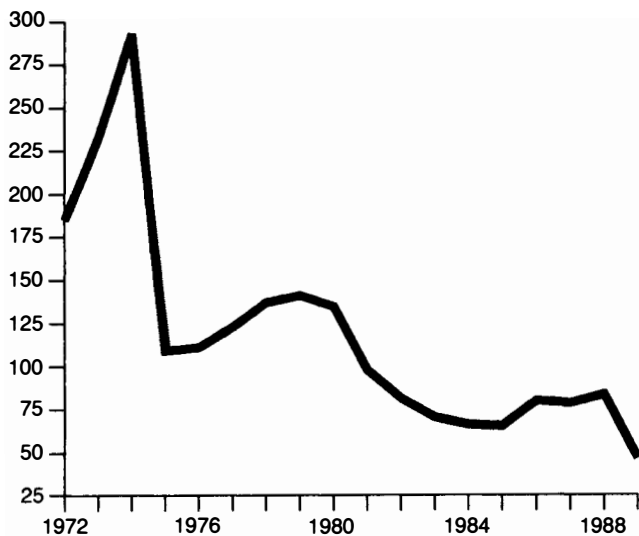
The collapse of the market forced down capacity utilization rates to under 50% by 1986. According to a special survey done by the National Electrical Manufacturers Association at that time, transformer manufacturers had not shown a profit on their operations since 1980. A wave of business failures and major restructurings by remaining companies in the industry caused U.S. production capability to shrink rapidly. In 1986, there were 244 companies with 293 manufacturing facilities engaged in producing all types of transformers, distribution as well as power. Four companies that dominated the industry, accounting for approximately 55% of industry shipments, as measured by dollar value. By 1985, shipments of transformers, at 46,933 mVA, were less than one-fourth of the 186,709 mVA shipped in 1975, and the industry was operating at less than 50% capacity.

In the 1960s and early 1970s, the transformer industry operated at close to 90% capacity. In 1988, orders of 83,872

FIGURE 3

New orders plunge for power transformers of 501 kilovolt-amperes and larger

(gigavolt-amperes of capacity)



Note: Figure for 1989 is estimated, based on doubling figure for first half of year.

Source: Edison Electric Institute.

mVA were booked, and the order backlog at the end of the year was 67,511 mVA. In 1974, orders of 293,012 mVA were booked, and the backlog stood at 186,709 mVA. Total employment in the transformer industry dropped 32.3% from 50,700 in 1973, to 34,300 in 1990. Imports as a percentage of apparent supply more than tripled in the same period, from 3.3% to 11.5%. The latter figure is misleading to the degree that it does not reflect the loss of domestic ownership in the industry.

In 1987, Westinghouse became the nation's predominant transformer manufacturer when General Electric abandoned the industry and sold its transformer manufacturing facilities to Westinghouse. This was ironic, because Westinghouse had already begun "downsizing" its transformer manufacturing capacity in 1984, when it closed facilities in Greenville and Sharon, Pennsylvania. The Westinghouse facility in Muncie, Indiana was reduced from 1,600 workers to only 460.

In 1987, the firm ASEA A.B. of Sweden merged with Brown Boveri of Switzerland to become one of the world's largest manufacturers of heavy electrical equipment. In 1989, Westinghouse, which had previously established a joint venture with ASEA Brown Boveri Ltd. to produce and market power transformers in the United States, sold its 55% interest in this venture to ASEA Brown Boveri, leaving McGraw Edison, bought by Cooper Industries in 1985, as the last U.S.-owned company with significant capacity to pro-

duce power transformers. In June 1988, Cooper also bought RTE Corp., which manufactures liquid-immersed power and distribution transformers.

In February 1989, the National Electrical Manufacturers Association testified before the Senate Government Affairs Committee that nearly 40% of U.S. transformer production capacity had been shut down in the previous 30 months.

No incentive for new technology

A major technological advance in the transformer industry has been the development of "amorphous metals." By rapidly cooling a molten compound of iron, silicon, and boron, a metallic material is produced with a random atomic structure similar to glass, which can be cast as thin as 1 mil, as compared to 11 or 12 mils for the silicon steel used up to now, while achieving considerable reductions in current loss in transformer cores.

According to Edward van Damh of the Electric Power Research Institute (EPRI), it is not economical for U.S. utilities to replace existing transformers with new ones constructed out of amorphous metals. New transformers will be installed only as new capacity is built, and only if the utility has higher cost types of power. A utility with large amounts of cheap hydropower capacity will not find it economical to purchase and install the new, more expensive transformers.

But technological levels between the major international manufacturers of transformers are at best a minimal consideration for buyers. Far more important are the terms of financing. Here, U.S. companies operate at a severe disadvantage compared to their foreign competitors, because the U.S. Export-Import Bank amply reflects the usury that dominates the U.S. economy, and is also more often used to enforce adaptation to "appropriate technologies," such as windmills, rather than the most modern industrial equipment available. In the early 1980s, interest rates on loans offered by the Exim Bank were approximately 190 basis points higher than comparable institutions.

Besides power transformers, the United States has almost completely lost the ability to produce other equipment, such as high-voltage circuit breakers. Like power transformers, these devices are large and complex, with detailed specifications and requiring elaborate testing. However, their design is far more standardized than the design of power transformers. McGraw Edison is the only U.S. company left able to produce high-voltage circuit breakers, and its production capacity is almost negligible when compared to annual demand, even at the depressed levels of today.

A joint venture between Hitachi and General Electric also assembles high-voltage circuit breakers in the United States, using sulfur hexafluoride produced in Japan. Sulfur hexafluoride is a gas that quickly extinguishes the arc in a circuit breaker, and offers a major reduction in size of equipment. This is a particularly strong advantage in Europe, with its shorter distances.

Inside the 'productive triangle'

Infrastructure projects between Germany and Czechoslovakia will yield more rapid economic results.

The emergency DM5 billion credit granted by West German banks to the Soviet Foreign Trade Bank is the biggest single German credit to a foreign client to date. While one-third of it will be spent to cover overdue Soviet payments to West German firms, there are strong expectations that the rest of the sum may be used for new joint projects.

The next encounter between Chancellor Helmut Kohl and President Mikhail Gorbachov in Moscow at the end of July, may announce some big joint projects to initiate what has been called the "beginning of a new chapter in German-Soviet relations."

The chapter will undoubtedly begin with the flow of more billion-deutschmark credits eastward, but it will, due to protracted systemic sabotage and inefficiency in the Soviet economy, produce very few positive results in the short term.

Compared to the scope of industry projects in East Germany and the East European countries, Western investments in the Soviet economy will shortly become a side-aspect.

Far more important is the question of how much economic development can be achieved within the next few years in the heavily industrialized regions of Central and Central Eastern Europe, inside the "productive triangle." A centerpiece of the triangle will be the cooperation between reunified Germany and Czechoslovakia—both traditional centers of industrial and machine-tool production in Europe.

Of specific interest, is the revival of the Elbe River waterway, connecting numerous urban industrial centers between northwestern and southeast-

ern Europe, from Hamburg on the mouth of the river, to Prague, which is linked to the upper parts of the Elbe via the Moldau River.

In early April, the Hamburg port authority and 80 industrial and trade companies presented a paper entitled "The Economy of Hamburg in a Unified Germany." The authors endorsed the following priority projects, urging their authorization at the highest political level this summer or soon thereafter:

- Rebuilding the Elbe River into the main central waterway for the transport of goods between Prague, Hamburg (becoming the central and southeast European "gate to the world"), Dresden, and Magdeburg. This involves several waterway engineering efforts—deepening the river, fortifying the river banks, and installing modern signal and communications equipment—all along the waterway;

- Modern computer-controlled container transport by ship is to be organized from three coordination centers—likely Hamburg and Prague, and a third to be built "in the southern G.D.R.;"

- Restoration, modernization, and extension of traditional rail routes from Hamburg to Berlin and the other important centers of industrial production of the G.D.R. and Czechoslovakia, such as Magdeburg, Dessau, Leipzig, Dresden, and Prague. This involves the modernization of port facilities along the entire route and construction of central storage and redistribution centers to link up the countryside to the waterway.

Political relations between Prague

and Hamburg are being intensified in order to promote the idea of joint Elbe development. On April 19, the magistrates of both cities signed a sister-city partnership with the perspective of closer cultural and political relations, and of economic cooperation on a higher level.

One short-term priority project being discussed could increase commercial activities at the 71-year-old Czech enclave in the port of Hamburg, as the Czechs plan to increase trade overseas during the 1990s. The Elbe waterway has become more important over the past few years for the Czechs, who handled more than 50% of their foreign trade in 1989 through Hamburg.

It is a good sign that the new Czech minister of economics, Vladimir Dlouhy, is favorable toward rapid German reunification, which he sees as a chance to cut loose from 45 years of forced dependency on the U.S.S.R. At a meeting of Comecon economic ministers in Prague on April 24, Dlouhy, then Czech Vice Premier, said that he sees a unified Germany as its number-one future trade partner, "a much bigger partner than the U.S.S.R. is for us today."

Reunified Germany will, for example, become the primary trade partner for the Czech machine-building sector that has been highly dependent on barter deals with the Soviet Union over the past 45 years. Soviet orders are declining because of the increasing incapacity of the Soviets to deliver the raw materials needed by the Czechs.

The reorientation of the Czech industry towards the West is a consequence of development of the Elbe waterway and the surrounding infrastructure. A government-backed German credit of several billion deutsche-marks to Czechoslovakia would yield results that couldn't be reached with the U.S.S.R. over a comparably short period of time.

A farm bill to wipe out agriculture

The new five-year U.S. farm bill should really be called the "Food Scarcity Act of 1990."

On June 14, at 2:05 in the morning, a voice vote of the House Agriculture Committee of the U.S. Congress approved a proposed farm bill package for the next five years. To replace the expiring 1985 "Food Security Act," the new bill, H.R. 3950, is called the "Food and Agricultural Resources Act of 1990." However, it should, more accurately, be titled the "Food Scarcity Act of 1990."

The new package continues some of the disastrous policies from the last bill, and adds even worse innovations. This is a result of the deliberate policy of the food cartel corporations to shut down family farming and feudalize what remains of American agriculture.

Look at the farm legislation in terms of the three major elements of food and farm policy: food supply, condition of farmers, and state of the resource base:

- *Depleted food stocks.* Corn stocks are at their lowest level in 10 years. Wheat stocks are at the early-1970s levels. Dairy supplies are below the level which would be utilized if households had the income to purchase the quality diet they want. The U.S. Department of Agriculture has had to stop supplying the National School Lunch Program (set up after World War II to prevent malnutrition) with nonfat milk powder and cheese. The USDA has stopped or curtailed supplying these items to the supplemental food programs for nursing mothers, infants (set up in 1974 to curb infant mortality), and the elderly. Epidemics of measles, tuberculosis, and other once-controlled illnesses are rising as the population becomes more

susceptible to such diseases.

The new farm bill does nothing to improve this situation. There are no emergency measures to produce more food. The bill reauthorizes food stamps and other food assistance programs, and orders that federal spending should gradually increase in these areas. However, even the spending requested is below the current rate of inflation in food prices—well over 10% and rising.

This means, for example, that food stamps and the vouchers of the WIC program (Women, Infants, and Children) will not cover nutrition needs. This year alone, up to 280,000 mothers and infants are being kicked off desperately needed food supplements, because food prices rose higher than WIC allotments.

The only food program expanded in the new farm bill is the provision to "combat fraud and misuse" of food aid programs.

- *Crisis condition of farms.* By 1995, the United States could lose 500,000 farms—the core of the family farm system in the nation—according to a recent report released by the Congressional Budget Office. This is the projected result of the continued fall in income from farming due to prices paid to the farmer being lower than farm costs, and to the ineffectiveness of minimal federal programs to keep farmers in operation.

This report caused a sensation, and House members voted to retain various loan and price support measures for cotton, rice, wheat, corn and other feed grains, oilseeds, and dairy farming. But in no case does the legislation call for parity prices—prices

that will cover the farmers' production and capitalization costs and a fair return. It was parity prices decreed by Washington, D.C. during World War II, that allowed the vast expansion of food for the war effort.

For example, the parity price to the farmer for milk should be over \$24 for 100 pounds. The new bill freezes the minimum support price at \$10.10 per hundredweight, through fiscal 1995.

Farmers get only 50% of parity price for almost every commodity. Therefore, they are going under, or staying in operation by working off-farm jobs, or selling out, and becoming serfs for absentee landowners. Hastening this process, the USDA loan agency, the Farmers Home Administration (FmHA), has recently stepped up its foreclosure actions against farmer borrowers.

The beneficiaries of these insane farm programs are the big name food cartel companies: Archer Daniels Midland (ADM), Cargill, ConAgra, Continental, Bunge, Louis Dreyfus, and others, which continue to underpay farmers for their output, and thus reap the benefit of the paltry outlays the government makes to keep farmers in business, as de facto peons to the giant companies.

- *Disintegration of agriculture infrastructure.* The U.S. grid of basic inputs for modern agriculture—water supplies, electricity, transportation, land improvements, and so forth—is deteriorating rapidly because of lack of repair and expansion. The new farm bill proposes unprecedented measures to have farmers "adjust" to this, in the name of "sustainable agriculture practice." This is the fancy word for low-technology, primitive farming. The bill authorizes \$40 million annually for research and \$40 million for extension training on how to become a low-tech greenie.

The Bush offshore drilling ban

It will jeopardize energy supplies and national security. The industry finally takes off the gloves.

President Bush announced, on June 27, a 10-year ban on oil and gas exploration along much of the California, Florida, North Atlantic, and Pacific Northwest coasts. In the name of "protecting the environment," the green President has essentially banned exploration and extraction of oil in the most promising areas. Charles DiBona, president of the American Petroleum Institute, says this will cost the U.S. over 2 million barrels of oil per day by the year 2000. U.S. oil production stands at less than 6.8 million bpd, and is going lower because of other environmental regulations, yet in May the country imported 52% of its oil.

Bush's decision to please the environmentalists flouts the scientific evidence. A 1985 study by the National Academy of Sciences concluded that less than 1.5% of oil pollution comes from offshore oil drilling. Bush is using the hysteria created by the *Exxon Valdez* and other recent oil tanker accidents to shove through his measure, while in fact, offshore oil drilling is the solution to tanker oil spills. The net result will be an increased likelihood of spills, as more foreign tankers arrive in U.S. ports.

According to Carl Schmid, leasing advocate for the National Ocean Industries Association, offshore oil exploration involves thousands of small companies. He notes that the President's action will have the most severe impact on such family-owned companies, which will go out of business while the giant oil corporations simply go abroad and import the oil.

Bush may have underestimated the reaction from the oil industry. The leaders of all the major petroleum related groups have denounced the decision in the starkest terms. Paul Hilliard, Chairman of the Independent Petroleum Association of America (IPAA), the leading organization representing independent operators and producers, called the ban on offshore drilling in key coastal areas of the U.S. "highly disappointing, a mistake, and a sad day for the American consumer. It means a surrender of U.S. control of its own energy future to foreign suppliers, a certain formula for disaster, potentially grave consequences for U.S. economic and national security interests."

Hilliard warns, "The President's decision guarantees that the U.S. will continue on its reckless course of increasing dependency on insecure sources of oil. . . . He has decided that the U.S. will have more tankers bringing foreign oil ashore, more environmental risks, a greater drain on our economy, a larger trade deficit, and fewer domestic jobs for explorers, drillers, fabricators, suppliers, geologists and service companies. In addition, the U.S. taxpayer will see the loss of additional federal revenues from OCS leasing and production." Hilliard concludes: "We can now add U.S. offshore drillers to the administration's latest 'endangered species' list."

A National Ocean Industries Association press release states, "By delaying leasing and drilling for such an extended period of time, the President has abdicated his responsibilities to

provide safe and dependable energy supplies for the American people."

The petroleum industry has decided to take the gloves off before it is too late. Speaking at a meeting of the South/West Energy Council the day before the President's announcement, API's Charles DiBona blasted the Clean Air Act and urged the federal government to develop an energy policy focused on "real-world energy issues" rather than relying solely on "haphazard by-products of environmental policy."

DiBona insisted that the U.S. needs to develop its domestic petroleum resources or energy problems will become more difficult. He stated, "Energy issues simply don't get the hearing they should. In fact," he said, "in two decades of work on energy issues in Washington, I have never seen a more difficult—often hostile—political climate than we have today on Capitol Hill." As a result, environmental legislation is being passed that is "more the result of emotion and political pressure than of merit or scientific judgment."

Blasting the process by which the Clean Air bill was drafted, DiBona warned that "proposed ethanol formulas could increase the cost of producing gasoline by 10-15¢ a gallon. They would require extremely costly changes in refineries, and they would probably put some refiners out of business. They could do all that with little or no benefit to air quality. In fact, they could actually make some air quality problems worse because of the high emissions of some ozone-forming compounds. Still, these ethanol fuels were extolled as an environmental panacea. In this instance, the illusory benefits of new environmental regulation dovetailed with the economic self-interest of a small, but powerful interest group—the ethanol producers."

Business Briefs

Manufacturing

Legal costs a major drag on U.S. economy

The costs of legal defense have become a major drag on U.S. economic competitiveness, attorney Hal O. Carroll wrote in a June 25 *Wall Street Journal* column. There are 30 times as many lawsuits per capita in the U.S. as in Japan, for example, he pointed out. Exorbitant jury awards in tort cases have caused liability insurance costs to skyrocket, when insurance is available at all.

A recent survey by the Conference Board found that 47% of the firms contacted reported having discontinued at least one product line because of concerns about liability litigation.

Debt

Ibero-America: Cut debt service by 75%

Ibero-America should pay \$10 billion annual interest on its foreign debt, instead of the \$40 billion it is now paying, 26 governments declared June 22 in a policy adopted at the bi-annual meeting of the Latin American Economic System (SELA) held in Caracas, Venezuela.

SELA permanent secretary Carlos Pérez del Castillo pointed out June 15 that despite the region paying \$250 billion in debt service during the 1982-89 period, its debt increased by \$100 billion to over \$430 billion.

A year ago, SELA proposed cutting the debt's principal in half, but that was rejected by the creditors. Now, it calls for the principal to be reduced by an average of 75%, to the rates prevailing on the secondary market. The reduced debt would be reissued as 30-40 year bonds at fixed interest rates to be guaranteed by a fund to which each debtor would annually pay 1% of its debt, and by the International Monetary Fund.

Brazilian debt negotiator Jorge Dauster declared June 18, "This is not a debtors' club but a search for political endorsement for a program to reduce the foreign debt." Such reductions have been going on surreptitiously. Bra-

zil's former finance minister Mailson da Nóbrega shocked London bankers in May, boasting that he had secretly bought back \$3 billion worth of debt titles from various bankers and speculators during the first quarter of the year. Brazil appears to have canceled \$6 billion in nominal debt at a cost of 28¢ to the dollar, using dollars most bankers think should have gone to paying interest to them.

Agriculture

Income drops with 'sustainable' farming

A study sponsored by the U.S. Department of Agriculture and the National Academy of Sciences comparing a conventional farm to one using 'sustainable' agriculture in South Dakota, shows a dramatic income drop on the sustainable farm.

The study, entitled "On-Farm Research Comparing Conventional and Low-Input/Sustainable Agricultural Systems in the Northern Great Plains," was released in April. The results of the five-year study comparing two corn and soybean farms, show that gross income from the conventional farm was 25% higher and net income was 18%-20% higher. Labor-hours per acre were almost twice as high on the low-input farm.

Technology

Powerful laser leads to usable X-ray device

Scientists at the University of Michigan and the French Atomic Energy Commission reported the creation of the world's most powerful laser in a simultaneous announcement June 7. The beam of the P-102 laser delivers 20 terawatts (20 trillion watts) within a diameter of 9 centimeters (more than 300 billion watts per square centimeter). The previous limit was 15 terawatts with a beam diameter 50 times greater.

The P-102 relies upon a technique called "chirped pulse amplification" (CPA) devel-

oped by Gerard A. Mourou of the University of Michigan at Ann Arbor. The CPA technique involves stretching out a pulse of 1 picosecond (1 trillionth of a second) by a factor ranging from 100 to a few thousand, amplifying it, and then recompressing it to its original duration. If the pulse were not stretched out during amplification, its power density would shatter the amplifier, a glass matrix impregnated with neodymium ions.

"With power densities at this level," Mourou said, "we may soon be able to create an intense X-ray laser-like beam capable of producing three-dimensional 'snapshots' of microscopic structures within living cells that have never been seen before."

German Unity

Monetary union treaty takes effect July 1

On June 21, the two German parliaments passed the treaty on the German economic-monetary union by a vast majority, in parallel sessions in East Berlin and Bonn. In the East, 306 out of 400 voted in favor of the treaty; the communist PDS and the left-greenie Alliance 90, against. In the West, the treaty was adopted with 438 out of 505 votes, the Greens and 25 Social Democrats voting against. In Bonn, it was the first time the deputies from West Berlin were allowed to vote on legislation—thanks to the three Western allies' long overdue decision to lift the voting ban on the Bundestag members from Berlin.

The treaty, to take effect July 1, will be followed by a second treaty soon that is to define the timing and details of the formal reunification process.

Infrastructure

Six-nation initiative for Baltic economic zone

Six nations are involved in an initiative for an economic cooperation zone along the eastern Baltic, *EIR* has learned. A non-public meeting

of experts mapping out areas of future cooperation took place in late April in Brest, involving delegates from Poland, Belorussia, Ukraine, and the three Baltic republics. At the center of projects discussed, is a plan for industrial development of the central ports on the Baltic—Gdansk, Klaipeda, Pillau, Parnu, Riga, Reval, and Narva.

The ports in the three Baltic republics, largely or partly used by the Soviet Navy, are to be demilitarized and turned into zones of Western investments in the civilian industry sector. All of the mentioned ports possess berthing capacities for deep-sea vessels and a functioning, though outdated, railway infrastructure connecting the ports with interior industrial regions.

A modernized rail link from Poland into Belorussia and the Baltic states and into the Kiev industrial district of Ukraine, is being discussed in this context. The six nations intend to form a bloc of economic independence and political autonomy from Moscow, and may include the district of Leningrad in their cooperation, depending on how much autonomy Leningrad is able to negotiate with Moscow.

Debt for Equity

Argentina's Entel for debt swap approved

The largest debt-equity swap in Ibero-America was approved when the consortium bid of Telefonía of Spain and Citicorp for Entel south in Argentina, and Bell Atlantic's bid for Entel north, over \$5 billion in debt-swap offers, was accepted by the government of President Carlos Menem.

The first entailed payment of \$114 million in cash, and the second a mere \$100 million. The rest of the purchase was for \$2.7 billion in debt-swap in the south Entel bid, and approximately \$2.2 billion for the northern Entel. This would give them 60% control of Entel. The rest would go to the public through stock offerings (25%), to Entel employees (10%), and 5% to local telephone cooperatives.

Former public works minister Rodolfo Terragno criticized the deal for accepting too little cash, but Entel manager María Julia Also-

goray pushed it through anyway. The June 27 London *Financial Times* reported that the most important aspect of the deal is the debt for equity swap, which was based on 13% of the face value of Argentina's debt, and was pushed through with "little of the expected political furor and trade union opposition."

"There's nowhere to get money. They can't finance themselves from foreign creditors, there's nothing much left to confiscate domestically, and they can't finance themselves with inflation, because that would lead straight to hyperinflation," one banker gloated to the *Wall Street Journal*.

Environmentalism

Cost of U.S. regulations could top \$10 trillion

Existing and soon to be enacted environmental regulations will cost the U.S. economy over \$10 trillion by the year 2000, according to several recent government and private studies. And \$10 trillion may be a conservative figure given that it does not take into account the shutdowns of the productive U.S. economy and dislocation of its workforce.

Major items include: \$2.6 trillion to clean up asbestos; \$2.2 trillion to comply with Clean Air and Clean Water laws; \$1.28 trillion to reduce radon levels in households; \$200 billion for chlorofluorocarbons (CFC) replacements for refrigeration air conditioning equipment; and \$150 billion or more to clean up Superfund Hazardous Waste sites. Private sources estimate Superfund may cost as much as \$1 trillion by year 2000, most of it being legal fees. The ban on logging and use of pesticides, insecticides, and fungicides, will add several trillion dollars to costs.

The two top radon experts in the U.S., William Nazaroff and Anthony Nero of Lawrence Berkeley Laboratory in California, authored a study published in the June *Journal of Environmental Science and Technology* attacking the Environmental Protection Agency for forcing people to spend "on the order of \$1 trillion" to reduce radon to imperceptible levels, when a small percentage drop in cigarette smoking would have more effect.

Briefly

● **CANCER** is not linked to electromagnetic radiation generated by electricity, a study by the Environmental Protection Agency has found, the June 23 *Washington Post* reported. Desperately needed new electric transmission lines have been halted across the U.S. over alleged health effects.

● **JAPAN** gave \$8.96 billion to developing countries in foreign aid, more than the \$7.66 billion given by the U.S., in 1989, according to a report by the Development Assistance Committee of the OECD. Japan plans to provide \$31 billion in assistance over the next three years.

● **C.L. STALS**, governor of the Reserve Bank of South Africa, told a *Financial Times* conference that the bank is buying gold to prevent U.S. manipulations from collapsing gold below \$340 per ounce. Market sources say the intervention has led to a rising price in June to \$353.

● **BRITISH** industrial orders are at an eight-year low, reports the Confederation of British Industry. CBI reports that if the Thatcher government's 15% base interest rate policy is continued much longer, it risks "making British industry into an insular enclave."

● **ROTHSCHILD'S** branch in the U.S. is involved in one-third of all major U.S. bankruptcies, the June 25 London *Financial Times* revealed. "Very few of the big Wall Street firms spotted the bankruptcy opportunity early. One that did was Rothschild," the *Times* wrote.

● **JAPANESE** investment in modernizing industry is twice that of the U.S., a report from the Council on Competitiveness shows. In 1989, Japan spent \$549 billion to modernize and expand its industries, compared to \$513 billion spent by the U.S. Since Japan's population and economy is half the size of the U.S., the Council notes that "In effect, Japan is putting twice the tools in the hands of the Japanese worker."

Debunking media myths about the ozone layer

Dr. Hugh W. Ellsaesser weighs the possible benefits of increased ultraviolet radiation against the claims that the 'ozone hole' spells the doom of man. Part II of an interview.

Dr. Ellsaesser retired from the U.S. Air Force Air Weather Service after 21 years as a weather officer and from the Lawrence Livermore National Laboratory after 24 years in climate research. He is continuing his studies at Lawrence Livermore as a Participating Guest Scientist. Rogelio Maduro interviewed Ellsaesser for 21st Century Science & Technology on March 1.

In Part I, published last week in EIR, Dr. Ellsaesser looked systematically at the available scientific evidence concerning the "ozone hole"—a phenomenon which has become an environmentalist cause célèbre. In 1987, ministers of over a dozen nations drafted a global ozone treaty in Montreal, calling for a 50% cut in production of chlorofluorocarbons (CFCs) by 1998. Officials of more than 70 nations are currently meeting in London to draft a treaty mandating a complete ban on CFCs by the year 2000, on the grounds that these allegedly are causing a hole in the ozone layer. The "Chicken Littles" of the environmentalist lobby claim that a barrage of ultraviolet rays, unblocked by a degraded ozone layer, will start epidemics of skin cancer. Ellsaesser showed that the evidence for all of this is quite inconclusive.

The theory that CFCs deplete the ozone layer was proposed by F. Sherwood Rowland in 1973 and was discounted by the scientific community. During the early 1980s, horror stories of "nuclear winter" abounded, which held that a nuclear war would cloud the atmosphere and cool the Earth such that the plant life to support any surviving humans would not be able to continue. Then, as the "nuclear winter" theory proved false, in 1985, the environmentalist lobby dis-

covered that there was a hole in the ozone layer in Antarctica, supposedly caused by CFCs. No matter that scientist Gordon Dobson first noticed the hole in 1956 and deemed it a natural, seasonal phenomenon.

In this week's concluding installment, Ellsaesser goes further, to assert that if the benefits of CFCs are eliminated—notably their use in refrigeration—millions could die as a direct result. But the government and the media are not interested in this; neither are they interested in examining the related issue of the benefits of ultraviolet radiation. While the ozone layer blocks harmful ultraviolet rays, which can cause skin cancer, those same rays provide the human body with vitamin D, without which we cannot absorb calcium, which is necessary to maintain bone strength, and especially urgent in children and the elderly.

Q: Now back to the question of the high-level ozone, the ozone layer, which the environmentalists claim is essential to the existence of life on Earth. Most of the news media say that the ozone layer is less than half an inch thick, and in all the diagrams that I have seen in *Time* and *Newsweek*, they regularly show a very thin layer of ozone over the Earth.

Ellsaesser: If you reduce it down to standard atmospheric conditions—that is, the temperature and pressure we have here at the surface—you have about 300 milli-atmospheric-centimeters. That means 0.3 centimeters of ozone (about one-eighth of an inch) when the layer is compressed to standard temperature and pressure and you have nothing but ozone in the layer.

Q: Does this layer really exist in that way?

Ellsaesser: As a layer, yes—but not thin—it extends over tens of kilometers in concentrations of parts per million of the ambient air. But it's very important. It screens out the very energetic part of the ultraviolet light. . . .

Q: What I am asking is this: When people see the diagrams, they think of the ozone layer as something very fragile, and this frightens them.

Ellsaesser: It is being presented as if it were compressed to standard atmosphere conditions, but it is actually mixed into the atmosphere over a great depth. It extends from the tropopause up to something like 70 km. It's very rugged. It has been there ever since the atmosphere developed with oxygen in it. However, before we had an oxygen atmosphere, it probably was not there. In other words, until we had developed an atmosphere containing oxygen—and part of that oxygen was converted to ozone by ultraviolet light from the Sun—the radiative environment on land was such that no animal or plant could have survived.

So we had to have the oxygen atmosphere, which then developed the ozone atmosphere, before life could move out of the water onto land. The estimates of the amount of ozone required for that evolutionary step to occur—estimates that were made before the SST or any other ozone arguments came along—is roughly one-tenth of the present level of ozone. In other words, we could reduce our ozone screen presumably tenfold without having too great an effect on our ability to live here.

Q: So you mean that a very significant reduction of the ozone layer would still permit people to live here.

Ellsaesser: Yes. They would undoubtedly have to take protective measures in some areas. In Indonesia now, when Dutch people go there and live at higher elevations where it's cool, they have to be very careful to protect themselves from ultraviolet. They get severe sunburn and skin damage; they just can't tolerate it. It would be like going up on top of a mountain here and staying out in the Sun.

Q: What is the amount of ozone—the thickness of the ozone layer—and the amount of ultraviolet that reaches the people at the equator, as opposed to people in New York City, for example?

Ellsaesser: On an annual mean basis, from the pole to the equator ultraviolet increases roughly 50-fold. The doubling distance is roughly 1,000 miles. So it's roughly four to eight times more at the equator than what we get. That does not take account of the fact that there are other things in the atmosphere that help screen out ultraviolet. For example, in the tropics you have lots of moisture particles—more than you have here—which also help screen out ultraviolet.

Q: But the amount of ultraviolet that is received at the sur-

face is about eight times larger at the equator than in New York City.

Ellsaesser: On an annual average, yes.

Q: And people at the equator have managed to survive!

Ellsaesser: Yes. But you'll notice that people who developed in those climates, had dark skins. And in Scandinavia, on the other hand, where there is very little ultraviolet for vitamin D production, they had very light skins. In other words, we humans *adapted* to our ultraviolet environment by changing the pigment in our skin. People in low latitudes who absorbed too much ultraviolet and damaged their skin and those in high latitudes who didn't absorb enough to develop good skeletons basically didn't survive to reproduce. If they moved slowly from one latitude to another, the advantages and disadvantages would have been more gradual, but the people with the proper amount of skin pigment would still have had a survival advantage and gradually have become the predominant survivors.

But now people are beginning to move quite rapidly all over the globe. So we have dark-skinned people in high latitudes who are developing rickets because they don't get enough ultraviolet to develop the vitamin D they need. And we are getting light-skinned people, like those who went to Australia, who are getting more ultraviolet than their inherited skin pigment is adapted to, and they are showing the highest skin cancer incidence in the world.

Thinning the ozone layer will help the dark-skinned people who migrated to higher latitudes, but it will make the skin cancer problem worse for those like the Australians. We have to keep track of where we are and whether we need to do more than rely on our inherited skin pigment to take care of us.

Q: Does this mean that what the environmentalists are most afraid of is that we'll all become dark-skinned people if the ozone layer is depleted?

Ellsaesser: Well, I think they are being racist because only white-skinned people suffer particularly from excess ultraviolet.

Q: I think the other fundamental point is, obviously, as long as there is ultraviolet light, sunlight, and there is oxygen, there will be an ozone layer. . . . Now, would it not be dangerous if there were no mechanisms to deplete ozone, and it just kept on being created from oxygen by the ultraviolet light? Don't there have to be some natural mechanisms?

Ellsaesser: But there are. It's already self-limiting. It's a very reactive chemical.

Q: Self-limiting—you cannot produce any more ozone?

Ellsaesser: Not unless you change the ultraviolet flux of the Sun, or something else like that.

Q: Why is that?

“We put out money to investigate the detrimental consequences of man’s actions. But for some reason, everybody thinks it would be immoral and illegal to spend any taxpayer money to document the possible beneficial effects of our actions. So we are biasing our decisions.”

Ellsaesser: Once you have an oxygen atmosphere and a certain ultraviolet flux from the Sun, the ozone layer is established. There is a certain rate at which ozone is produced and a certain rate at which it is destroyed, and the ozone increases until the destruction rate matches the generation rate. The point at which equilibrium occurs is sensitive to such things as temperature and the distribution of solar energy by wavelength.

But the biggest factor in the total depth of the ozone layer is transport—air motion. There is much more ozone near 60° latitude than over the equator—and in winter than in summer—that is, just the opposite to what you would expect from the amount of ultraviolet. Most of the stratospheric ozone is essentially in storage—chemically inactive—in the lower polar stratosphere.

Such things as oxides of nitrogen, of hydrogen, of chlorine and of bromine, by setting up catalytic destruction cycles, may shift the chemical equilibrium point at different altitudes where ozone is chemically active. But the effects are substantially less than originally thought, simply because all of these catalytic ozone destroyers also interfere with each other. This may well be why observational confirmation of catalytic destruction of ozone cannot yet be claimed.

Q: How is ozone destroyed naturally?

Ellsaesser: The primary way in which it is destroyed in the stratosphere is by ultraviolet light. The primary way in which it is destroyed in the troposphere is by interaction with particles—that is, solid objects—at the surface of the Earth.

Q: How high up in the stratosphere do you find ozone from the surface of the Earth?

Ellsaesser: Oh, you find it all the way up to something like 80 or 90 km. There is some above that, but it has only been measured up to about 70 km that I know of. But the interesting thing about this is that from the surface of the Earth, the ozone increases steadily up to the tropopause, that is, the lower boundary of the stratosphere. You may find some oscillations, or blips, in it where there are layers that don’t mix too well, but there is an increase with altitude. So the major process that is going on is that ozone is being formed in the stratosphere; it is descending through the polar tropopauses in the springtime when you have the breakup of the polar vortex, and then is diffusing down to the surface of

the Earth, where it is destroyed.

There is another process, the so-called smog photochemistry, which goes on in the boundary layer at the surface. There the impinging ultraviolet that gets through the stratosphere goes on to cause a reaction and generates ozone in the boundary layer. But this ozone in the boundary layer is also usually destroyed in the boundary layer. It’s a diurnal process; it increases during the daytime and is destroyed at night.

Q: Does this mean that, nightly, the amount of ozone at the lower levels will go down?

Ellsaesser: It typically goes to zero every night at the Earth’s surface over land. Over the oceans it may actually be coming out of the ocean.

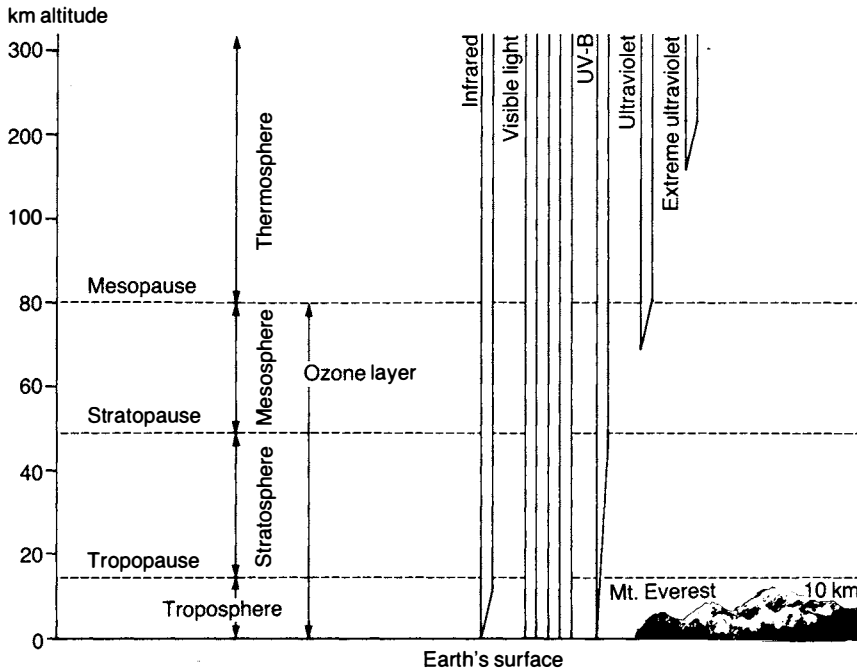
Q: And how about in the stratosphere?

Ellsaesser: No. There is a relatively small diurnal variation in the stratosphere. Of course there are seasonal variations, but the seasonal variations in the stratosphere are primarily due to the movement of the air containing different amounts of ozone, rather than to photochemistry. In winter, tropical air containing high mixing ratios of ozone drifts polarward and downward, building thicker layers of air with a high content of ozone—so the total amount of ozone in the column becomes much larger than in the tropics where the ozone is actually generated.

Q: One thing that I find very curious—and I haven’t noticed anybody making a major point of this—is that the time that the ozone hole occurs in Antarctica is right about the end of the six-month polar night, during which there is no ultraviolet radiation coming in. Would you not expect the ozone level to go down because you don’t have ultraviolet light?

Ellsaesser: If there were particles or something there that could destroy the ozone, you would anticipate that. But the ozone molecules have to make contact with some kind of a solid to be destroyed, as they do at the Earth’s surface. Normally, ozone is not destroyed significantly by anything we find in the stratosphere in the absence of sunlight. As I mentioned earlier, in higher latitudes ozone is essentially in storage. Remember that in the stratosphere, ozone is present in parts per million—almost everything else that might attack it is in parts per billion or less.

Layers of the atmosphere and penetration of sunlight



This figure shows the different layers of the atmosphere and the penetration of different wavelengths of sunlight through them. The ozone layer, where ozone molecules, O_3 , are created and found, extends from the surface of the Earth to approximately 80 km altitude. While the highest concentration of ozone molecules are found at the bottom of the stratosphere, around 30 km altitude, most popular press have incorrectly drawn an imaginary thin line at 30 km altitude, as if that were the layer's location.

How much and what wavelengths of electromagnetic radiation penetrate the atmosphere is determined by atmospheric absorption within the spectral region in question: Some infrared and all visible light reaches the Earth's surface; ultraviolet and extreme ultraviolet are entirely absorbed in the upper atmosphere. Longer wavelengths in the ultraviolet range, called UV-B, reach the Earth's surface.

Source: NASA

Q: So six months would not be enough for it to drift down to the surface of the Earth and be destroyed?

Ellsaesser: No. If there is a destruction process, it would have to be something like this: Particles of ice crystal clouds take up (sublime) the nitric acid vapor—which is what oxides of nitrogen become in the wintertime when there is no sunlight—and grow enough to precipitate. When the Sun comes up the following spring, the nitric acid cannot be converted back to oxides of nitrogen so they could chemically tie up the chlorine. This leaves the chlorine free to attack the ozone, and it may be what's going on in the ozone hole region over Antarctica. But, at the present time, I think it is still somewhat questionable that that is an important part of the process. However, it can't be ruled out either.

Q: Is it therefore warranted to impose such an onerous tax on CFCs or to ban them, based on this?

Ellsaesser: If they ban freon, we've got a lot of automobiles with air-conditioning equipment that will not be replaceable. I don't think many are going to go to the expense that it will take to put in the new type of equipment that will have to be used for the new types of chemicals they are coming up with. The same type of problem will occur with all of our refrigerators and air-conditioning equipment in homes and offices. Unless we are all more affluent, fewer of us will be able to afford air conditioning and refrigeration. There is

going to be a substantial reduction in the use of it. That is going to have a health effect. I don't know anyone who has looked at that particular health effect and tried to balance it against the one they are worried about.

Q: Some individuals have denounced the ban on CFCs because it will mean that millions of people in the Third World will die as a result of food poisoning because of the lack of food refrigeration.

Ellsaesser: I think that is probably true, because at the time that we introduced refrigeration in this country, there was a very rapid drop in the mortality rate from such things as stomach cancer. However, the *big* problem with food—because it tends to be produced sporadically—is keeping it edible until the next hunt or harvest.

Q: Therefore, ostensibly to save a few lives that might be lost from increased ultraviolet radiation, perhaps millions will die?

Ellsaesser: Yes. That has already happened with DDT. They just haven't looked at all of the ramifications of this and, as I said, I think that the slight destruction of ozone that *might* be occurring from freon chlorine, could very well be a net benefit to humans and to other vertebrates here on Earth.

Q: That benefit still has to be documented, correct?

Ellsaesser: Yes. No one is paying for that research to be done. That's the crime of the present U.S. government regulations. We put out money to investigate the detrimental consequences of man's actions. But for some reason, everybody involved thinks it would be immoral and illegal to spend any taxpayer money to document the possible beneficial effects of our actions. So we are biasing the decisions, because we don't have the other side of the question looked at and evaluated, and the data developed that we need to make a sound decision.

Sherwood Idso claims that there are already benefits for the biosphere from the increased carbon dioxide content of the atmosphere. He lists about half a dozen of them. One of them shocked even me. He claimed that the decrease worldwide in coronary mortality over the last two decades may very well be due to the rise in carbon dioxide content of the atmosphere. I don't know of any way to rule that out, because it is more consistent with the observation data *available* than is greenhouse warming itself.

The only way to find it out is to have people look into it, and that means somebody has to pay their salaries. If the government is not willing to fund research into this type of question, it is going to continue to bias the conclusions and take us off into the very expensive type of mistake we are now headed for.

Q: Has anyone calculated how many millions of people will die as a result of a ban on CFCs?

Ellsaesser: Not that I am aware of, but I think, if you used the types of approach that the environmentalists have, you could easily come up with a very big number. It's just like taking smog out of Los Angeles. Nobody is complaining about the fact it's going to increase ultraviolet and skin cancer down in Los Angeles. The problem is that all of our communications, including the scientific ones, have put in a one-way filter, because the government has become the main source of research funds. They are biasing the decisions by looking only at one side, the detrimental side.

Q: But how could the environmentalists get so much government funding when other scientists cannot?

Ellsaesser: Well, it developed historically. Ever since Rachel Carson's book *Silent Spring* appeared in 1962, the attitude has been that the only thing that is important is looking at the detrimental effects—the possibility of beneficial effects was not admitted. That is, *man can do no right*.

Of course, that's the thing the news media love to publish, the thing you can use to scare money out of Congress to get research funds. So the system developed in that way, not necessarily because of the environmentalists, but just because that's the way humans are. We play the *rules* and not the game.

But now the environmentalists are trying to exploit the

situation, and the government has got itself into the act where it is biasing the decisions by looking only at the detrimental effects. It's not spending any money for research on the other effects—the other side, such as the Idso material that I mentioned on heart attacks. There is also Dr. Don Luckey, who used to be at the University of Missouri, who has collected some 300 studies that show that there is a beneficial effect of radioactivity for levels up to about 10 times what we consider to be background. According to his data, we would all be better off—healthier—if we were exposed to 10 times more radioactivity than we are getting at the present time.

For years, Luckey kept trying to get the government or someone to fund a research study in which he would take mice underground in a mine to protect them from cosmic rays. He would shield them with lead to protect them from the uranium and radium in the Earth. He would replace the potassium-40 in their bodies to protect them from self-radiation from that, and thus raise them in a very low-radiation environment. He had hoped to prove by this process that the slope of the health effects curve for radioactivity is negative at the background level. In other words, he predicted that these mice would be less healthy than those exposed to normal radioactivity. No one wants to touch that!

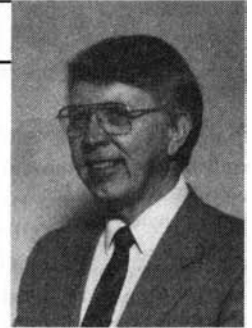
He hasn't been able to get anybody to pay for a study. He's done a little bit on his own, on microbes and bacteria, which tends to support it, but it's not the type of thing that most people would accept. He wants to run a full-scale experiment with enough mice or animals to make it hard to discount his results, and that takes money.

Something else. I don't think you have ever heard of the so-called mega-fish experiment. People always talk about mega-mouse experiments, because it takes millions of cases to detect these very small effects they are looking for at levels of radiation near background. Well, here on the West Coast at the salmon fisheries, they have exposed 600,000 salmon fry to 25 rems of radioactivity before they were released, and released another 600,000 without any such exposure. They tagged them all, and kept track of them as they came back. They found that 20% more of the irradiated ones than of the unirradiated ones made it back. This suggests that the radioactivity gave them some sort of a living advantage out there in the ocean where they all lived.

I have never found anybody who has heard of this experiment except my original source, Don Luckey. . . .

Q: What would you suggest be done to have rigorous scientific evidence?

Ellsaesser: They should acknowledge this bias and either fund the other side of the equation or stop funding the investigation of the detrimental effects that people keep proposing. One of the two. In other words, don't bias the results. If you are going to fund one, fund the other. If you are not going to fund the other, then stop funding the one. It is the bias that's leading to problems. . . .



Nuclear radiation: facts versus scare stories

Robert Alexander, a Virginia-based consultant in radiation protection and health effects, is the immediate past president of the Health Physics Society and served on the science panel of the White House Office of Science and Technology Policy's Committee on Interagency Radiation Research Policy Coordination from 1982 to 1988. For 16 years he directed the radiation protection research and regulations development program for the Nuclear Regulatory Commission and its predecessor.

In this interview, he debunks some of the scare stories of the anti-nuclear lobby and the media, and he updates the figures that appeared in EIR's June 8 issue, in the box "Measuring radiation" on page 24. The interviewer is Marjorie Mazel Hecht, managing editor of 21st Century Science & Technology magazine.

Q: People don't know very much about radiation, and this allows the anti-nuclear forces to scare people with all kinds of lies and misstatements about what radiation is. Can you give a brief description of what radiation is and how it is measured?

Alexander: Man and all life forms on Earth have evolved in a radiation environment. This radiation comes from two natural sources. One of these is solar radiation and radiation from space called cosmic radiation, which gives a radiation dose to every life form. Then there are naturally occurring radioactive materials on Earth, which give all life forms an additional dose. So radiation is the most natural thing in the world.

There are two basic forms of the type of radiation we are discussing. One is what the physicists call *electromagnetic radiation*, which is very much like light, except that it has more energy and can penetrate much farther. This kind of radiation is called gamma rays or X-rays.

Any other kind of radiation is *particulate*, composed of atomic particles that have weight and that travel at very high speeds. There are *beta particles*—really just electrons, the same as those that come through electric wires. There are also *alpha particles* that come from atomic nuclei and are much, much larger than electrons. Because they are large, alpha particles are not very penetrating. If the radioactive material that emits alpha particles is located inside the body, however, then the alpha radiation can do damage to the inter-

nal organs.

Particulate radiation also includes neutrons. Neutrons are somewhat smaller than alpha particles, but they don't come from radioactive materials. The neutron results from other nuclear phenomena, such as the operation of a nuclear reactor or a particle accelerator.

Q: How do these forms of radiation interact with the human body?

Alexander: In terms of penetrability into the body, gamma and X radiation are very efficient; beta radiation is normally stopped by the skin, but neutron radiation can penetrate to the internal organs. The alpha radiation is completely stopped by the dead layers of skin, so that it is only a hazard when radioactive materials that emit alpha particles are taken into the body by inhalation or ingestion.

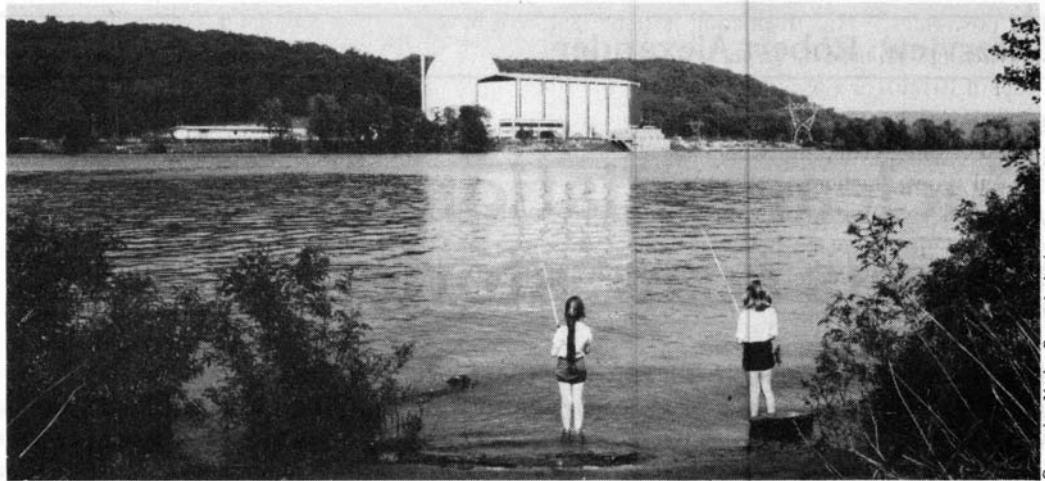
It is important to distinguish between radioactive material and radiation itself. Radioactive material is just regular chemicals that all of the Earth is composed of, except that some of the atoms are unstable—that is, radioactive. They give off radiation as they decay to a stable state. Radioactive material can give off gamma rays and even X-rays, and it can give off beta and alpha particles. When certain radioactive atoms fission—the atoms split in two—they give off neutrons.

Q: How do you measure how much radiation is reaching the body?

Alexander: We measure radiation with an assortment of devices that can detect the various interactions that radiations have with matter. As the radiation goes through matter of any kind, it interacts with the electrons that are part of the atoms composing that matter. Those disturbances can be measured.

Some of our instruments give us readings while we are looking at the instrument. We also have passive measuring devices, through which we can look at the cumulative effect of the radiation later and see what dose was delivered. In the old days, we used film very similar to photographic film, and the radiation affected the film in much the same way that light does. These days we use thermoluminescent dosimeters, which can be processed after they have been exposed to radiation to tell what the dose was.

The average annual radiation dose for those who live near a U.S. nuclear power plant is about 7 microrems per year. A person who lived in Washington, D.C., and spent a year in Denver would probably receive an extra 100,000 microrems. Shown here: the Connecticut Yankee nuclear power plant.



Connecticut Yankee Power Authority

Q: What kind of units do you use to measure the radiation dose?

Alexander: In radiation the principal quantity we use is called the *dose equivalent*, and it is measured in units called *rems*. A rem tells you how much radiation energy was absorbed by the tissue that it passed through, as well as the effectiveness of that radiation in producing a particular biological response. The response that we worry the most about is cancer. So the rem is just a unit of radiation-effectiveness on the tissue that absorbs it in terms of producing cancer in that tissue. The rem was established as the unit for physicists to use in controlling radiation risk, so that we can tell whether people are being exposed in a safe, controlled manner. The radiation standards are given in rem units: The millirem is one-thousandth of a rem and the microrem is one-millionth of a rem.

Q: What are some examples of background radiation?

Alexander: In the United States, natural radiation causes an average of about 300 millirems per year. So if a person lives for 70 years, that would be about 21 rems during his or her lifetime.

Q: And if one lives at a higher altitude, as in Denver, wouldn't the dose be greater, because of the cosmic radiation?

Alexander: Yes, 300 millirems is the national average; this is higher than what people who live in coastal areas receive, and it is lower than what people who live in mountainous areas receive. This is primarily because the atmosphere serves as a shield against the radiation from outer space. The more air you have above you, the less cosmic radiation you get; the higher the altitude, the less air and the more cosmic radiation you get.

The variations are not small. Variations from one locale to another may be as much as 100 millirems per year. This is an important fact to consider when establishing regulatory limits on radiation dose.

Q: The anti-nuclear propagandists talk about the radiation you get from living next to a nuclear power plant. But if you live in Denver, you get far more radiation—naturally.

Alexander: Oh, yes. Let me give you some numbers. The average annual radiation dose to people who live in the vicinity of a U.S. nuclear power plant is about 7 microrems per year—seven-millionths of a rem—a lifetime dose of about one-half of a rem. A person who lived in Washington, D.C., and spent a year in Denver would receive probably an extra 100 millirems, which would be 100,000 microrems. Compare the extra dose from living one year in Denver of 100,000 microrems with the 7 microrems from living next to a nuclear power plant, and you can see that the concern about environmental radiation from nuclear power plants is not well founded. The concern is just an emotional reaction, through misinformation that has been distributed.

Q: What about riding in an airplane or watching color television?

Alexander: Unless you are seated very close to a color television set, you don't receive an appreciable amount of radiation. A child sitting within two or three feet of some color TV sets could receive a few millirems per year. It's low, on the order of what one would receive from a diagnostic chest X-ray, that is, about 20 millirems.

If you fly from coast to coast, the radiation dose you are going to receive would be on the order of 5 millirems. A person would probably not hesitate to make a round trip from Washington to San Francisco and back and receive maybe 10 extra millirems from cosmic radiation—that's 10,000 microrems. But the same person living in the vicinity of a nuclear power plant receiving 7 microrems might worry about *that*. . . .

Q: We are often told that more is known about radiation than any other agent that causes cancer. Is this true?

Alexander: No. To make the statement true we cannot say "radiation"; we have to say "radiation delivered at high doses

and dose rates.” This distinction is important. We have a convincing data base for large, instantaneous doses—on the order of 10 rems or more—and that is all. For small, instantaneous doses and for large doses delivered over an extended period of time, cancer induction has not been observed. We can only guess. Is there no effect? Is cancer caused? Is cancer prevented? No one knows. We only know that if cancer *is* caused, it cannot be detected using our most sensitive epistemological techniques, and that the probabilities must be very small indeed.

Q: What about higher levels of radiation—the lethal doses, for example, from the Chernobyl accident. What happens then?

Alexander: There you shift your focus from cancer, which is a biological response that occurs years after exposure, to more immediate biological responses, where the tissues are damaged so severely by the radiation that you get a very rapid response. In extremely high doses, radiation kills so many cells that the organs can no longer function properly and the person dies.

Q: What would be the threshold dose?

Alexander: I don’t think anyone has ever died from a dose of less than about 400 rems. Below 400 rems, the chance of recovery is good. When you get somewhat above 400, the chance of recovery is not so good, and by the time you get to about 800 rems, it is becoming hopeless. If it is penetrating radiation to the whole body, just about all of the organs are going to be affected, and there is little chance of surviving.

Of course, there are two things about these doses that everyone needs to remember: one is that they are very large, close to a billion millirems; two is that the doses are instantaneous. If these amounts of radiation are distributed over a period of time so that the body has an opportunity to recover, then they are not so dangerous.

Q: You mean if you accumulate a large total dose over a period of a year in small increments, your chances of survival would be better?

Alexander: That’s right. The International Commission on Radiological Protection (ICRP) believes that if we limit the radiation dose in any one year to any organ to 50 rems or less—that is, 50,000 millirems or 50 million microrems—none of the biological effects *other than* cancer would ever occur. In other words, 50 rems per year is considered to be a threshold for the type of effect we have talked about as causing cellular damage that prevents an organ from working properly.

Q: The press is full of stories where the anti-nuclear people proclaim that “there is no safe level of radiation.” From what you have said, this statement is absurd, since we get so much radiation naturally. In fact, we would not be here if there

were no natural radiation.

Alexander: To say that there is no safe level of radiation, depends on one’s definition of the word “safe.” That idea springs from a *supposition that just one* interaction with radiation in the nucleus of a cell could cause that cell, when it divides, to start dividing out of control, causing cancer. No one has ever been able to prove that that can happen, or that it cannot happen. That’s something that no one knows. It isn’t very likely that we will ever know the answer. But, as I am going to explain, it is really not important.

For example, if I live here in a nice quiet neighborhood, and if I go outside and back my car out of the driveway and park it in front of the house, there is a finite probability that I will be killed in the process. There are many ways that could happen. For example, a big truck might come along and hit me. An airplane might crash into me. A tree could fall and crush me. So, I could say that there is no safe way to drive your car out of your own driveway and park it in front of your house.

You have the same thing with this question of the interaction of radiation with the cell nucleus. The point is really not whether it can happen, but what are the *chances* that it can happen. Should I refrain from parking my car in front of my house because the probability is not zero? The answer is, of course not. At the other extreme, if I want to drive my car 120 miles an hour on one of the interstate highways, then the risk of death becomes real.

With radiation, at some point there are enough interactions in the nucleus of the cells that the cancer probability becomes high enough to start considering it, and making decisions about what you are and are not going to do. That’s what is important, that we understand the probabilities, and make our decisions in a reasonable way for ourselves and for those for whom we are responsible.

The *existence* of a risk is not nearly as important as the *probability* that the event will occur. In the case of low-level radiation we have no evidence that it is harmful—only supposition. In addition to that, we worry about such low doses that, even if they *can* produce cancer, the probability is too low for reasonable people to take them into consideration.

Q: I think you said the key word there—“reasonable.” It seems to me that a lot of the claims being made are totally unreasonable, and if applied to the rest of what people do in society, people would not be doing very much at all, including the people writing these scare stories.

Alexander: That’s true. From the scientific information that we have, there are *no* data indicating that low-level radiation causes cancer. In fact, there is quite a lot of information from studies of people who receive extra-high background radiation showing that low-level radiation may be beneficial. So if an extraterrestrial being were to come here and look at our regulations and at the actual data, and remain unaffected by our emotions, he would think we are crazy.

Who is responsible for America's banking crisis?

by EIR's Economics Staff

Since the end of 1985, seven hundred and ninety-one U.S. banks have either failed or gone out of existence through mergers with larger institutions. As of the end of 1989, according to the Federal Deposit Insurance Corp. (FDIC), another 540 banks, in 33 states, had bad assets in excess of their paid-in capital plus loan loss reserves. They are bankrupt. About 1,500 of the nation's approximately 14,000 banks are classified as problems. Banks in all states lost money last year. Overall, the officially classified bad assets of the banking system as a whole come to 30% of the paid-in capital and loan loss reserves of the system.

What was once the thrift system is bankrupt. The bill for its reorganization, over 30 years, with interest charges added in, is going to come to at least \$500 billion, and could still double in size before the end is reached.

Federal prosecutors in the November-December 1988 frameup trial of Lyndon LaRouche and his associates in Alexandria, Virginia attempted to ridicule the defense: "Didn't they tell you that your money would be safer with them than in the banks?" they asked their witnesses. Rochelle Ascher was given the same treatment during her trial in 1989 for alleged violations of Virginia's securities laws.

How ridiculous, the prosecutors implied, to say the banks aren't safe. Everyone knows the banks are safe, don't they?

Well, are they, or are they not?

Between 1934, when the FDIC was created, and 1974, the largest volume of deposits affected by banking failures was registered in 1939 when the federal government had to back up \$160.2 million. In 1974, there were only four bank failures, but those four banks had combined deposits of \$1.575 billion. In 1982, forty-two banks failed, and those 42 banks had combined deposits of \$9.908 billion. The year 1982 ushered in a new era of bank failures. The 1,038 commercial banks which have failed since 1982 account for 74.5% of all bank failures since the beginning of federal deposit insurance in 1934. The \$111.091 billion in deposits held by those 1,038 banks account for 94.5% of the deposits of all banks that



Who was right, EIR and its founding editor, Lyndon LaRouche, or the “wizards” of the financial Establishment who said they had no use for him and his American System economic policies?

have failed since 1934 (Table 1).

Prosecutors of LaRouche and his associates in Alexandria argued that such assertions by the defendants, and therefore also the necessary remedies they proposed, were part of the defendants’ conspiracy to defraud contributors. So, do we have a banking crisis, or not? Are your deposits safe, or not?

Who was right?

On May 6, 1990, fifteen months after LaRouche was sentenced to 15 years in prison as a result of the Alexandria frameup, administration and congressional leaders met to discuss the federal government’s budget crisis. The subject, according to Budget Director Richard Darman May 14, was the government’s “contingent liabilities.” These are implicit obligations, assumed to be backed with the “full faith and credit of the U.S. government.” Some \$5.6 trillion of such obligations are outstanding. Approximately half of the total is made up of deposit insurance; another portion is made up of government-underwritten mortgage obligations; another is government-secured pension obligations. They were the subject of the “budget summit” discussion, because none are safe, and because, with present policies, the government has no way to back them up. This was the meeting at which, according to the *New York Times* of May 7, the President refused a request from Rep. Richard Gephardt (D-Mo.) that he take to the national TV networks to tell the country how bad the crisis is, for fear of triggering financial panic.

What Bush wants to do is something very different. He and his friends still insist there isn’t a banking crisis. There

is only a problem of corrupt bankers, they say. Bush and company want to throw them all in jail.

On June 22, President Bush unleashed a posse of federal prosecutors, to be organized into “rapid response” task forces, “teams of razor-sharp prosecutors and auditors” to speed up investigation and prosecution of fraud in the savings and loans. “These cheats have cost us billions and they will pay us back with their dollars and they will pay us back with years of their lives,” is what he told his audience in the Great Hall of the Justice Department.

Gephardt’s friends among the congressional Democrats want more, faster. “Too little, too late,” said Rep. Charles Shumer from Brooklyn, New York, and Sen. Timothy Wirth from Colorado declared, “The President had a photo opportunity today.”

So who was right, and who was wrong, on the question of the banking system? If LaRouche was right, then what conclusion ought to be drawn about the patrons of the prosecutors who attempted to ridicule his forecasts of banking collapse? What conclusion ought to be drawn about a President and administration who still insist, “There is no banking crisis, only a problem of corrupt and swindling bankers”?

Who was it who warned on May 26, 1987, five months before the Oct. 19 “Black Monday” 500-point crash of the New York stock market: “Whether the great financial crash of 1987 erupts by October or later, will depend upon what leading governments do at the international monetary ‘summit’ held in Venice on June 12. Those bankers who are expecting a crash by October, make that forecast on the basis

TABLE 1

Banking failures since the 'recovery'

Year	Commercial banks		Savings and loans	
	Number*	Deposits	Number	Deposits
(a) Closures since 1982, with volume of deposits affected (deposits in million \$)				
1982	42	9,908	NA	NA
1983	48	5,441	52	18,600
1984	79	2,883	27	6,000
1985	120	8,059	34	12,100
1986	138	6,471	49	13,000
1987	184	6,282	48	10,700
1988	221	37,215	232	100,700
1989	206	31,005	318**	107,000**
(b) Total bank and thrift failures, 1934-89 (deposits in million \$)				
1934-89	1,393	117,500	N.A.	N.A.
1982-89	1,038	111,091	760	268,100
1982-89 as a % of 1934-89	74.5%	94.5%		

*Insured commercial banks.

**In 1989, ten S&Ls, with deposits of \$667 million, failed outright. The other 308 failing S&Ls, with deposits of over \$106 billion, were placed in conservatorship, administered by the Resolution Trust Corp., which was created in August 1989. Sources: FDIC, FSLIC, Office of Thrift Supervision, Resolution Trust Corp.

of assuming that the U.S. government's role at Venice will be a continuation of the foolish international monetary policy which the Reagan administration has followed over the past five years. . . . This would turn the Venice 'summit' into a disaster, destroying the last bit of confidence in the U.S. dollar in international financial markets. Under those conditions, an October crash would be very probable?"

Who was it who wrote on July 4, 1989, three months before the stock market tumbled 190 points on Oct. 13, the second worst one-day fall in its history: "In this situation, we must expect it nearly, if not absolutely, certain that the July 14th Group of Seven meeting will be the watershed for an ensuing slide into new financial collapse. Unless some very radical change in policy occurs by approximately July 14th, a coming crash should be visibly in progress during August, and will erupt, most probably, during September or October?"

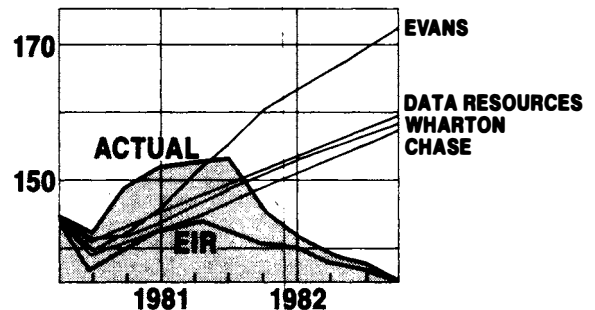
The author of those lines wasn't anybody attending Bush's "summit" meeting on the budget, that's for sure. Lyndon LaRouche warned of the prospects for the Black Monday blowout as a candidate for the 1988 Democratic presidential nomination. He predicted the Sept. 15, 1989 deflationary turn on the markets in the preface to his congressional campaign platform, "The Great Crisis of 1989-1992."

And who said on Nov. 7, 1989, nearly a month after the Oct. 13 stock market slide, and nearly two months after the Sept. 15 default of junk financier Robert Campeau, that the longest period of economic growth in the nation's history

FIGURE 1

SEPT. '80 FORECASTS FOR 1981 AND 1982

INDUSTRIAL PRODUCTION INDEX



EIR was right and the competition was wrong: a graphic used on one of LaRouche's 1984 TV broadcasts.

was continuing under his administration? It was George Bush, who is now letting it be known that he won't tell people the truth, because it might cause a financial panic.

Who said, on Oct. 22, 1987, "This is purely a stock market thing, and there are no indications of a recession or hard times at all"? And, on Oct. 20, 1987, "The economic fundamentals in this country remain sound, and our citizens should not panic. And I have great confidence in the future." That was Ronald Reagan, then President.

Who said, on Oct. 20, 1987, "Depositors should not be concerned about their deposits in the banks"? That was Robert L. Clarke, Comptroller of the Currency, responsible for regulating a portion of the nation's banking system.

On those two occasions, LaRouche was right on the mark. It wasn't the first time.

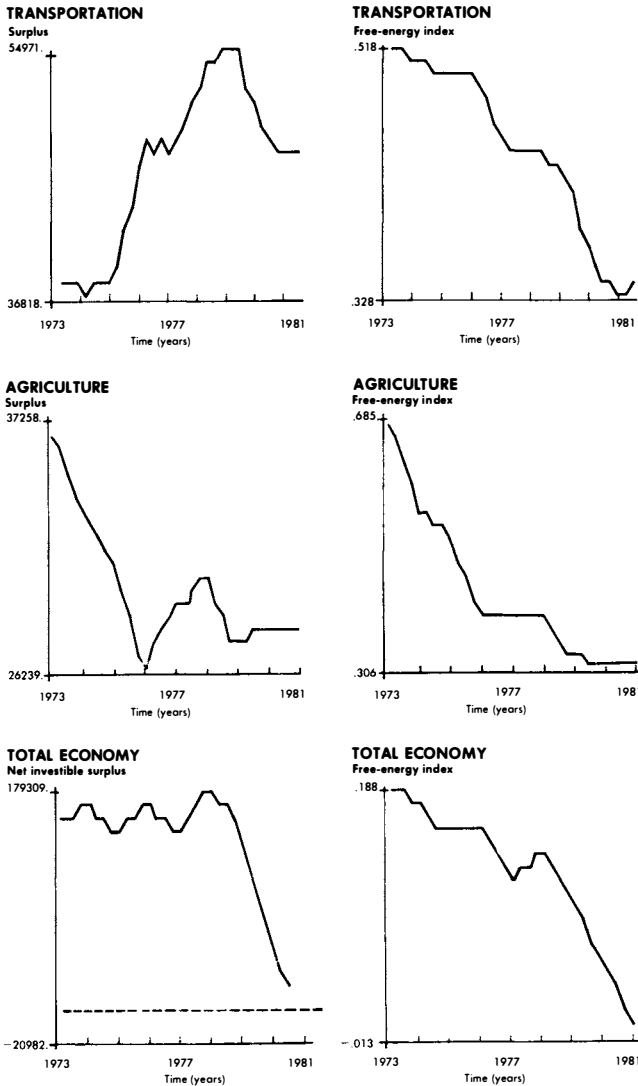
The Volcker depression

Between October 1979 and 1983, LaRouche had sponsored the publication, in *EIR*, of the results of an econometric model, the LaRouche-Riemann model. Between October 1979 and the end of 1982, the LaRouche-Riemann model forecasts were consistently the only accurate forecasts by any agency (Figure 1). *EIR* published its first analysis of then Federal Reserve chairman Paul Volcker's high interest policies, in its issue dated Oct. 23-29, 1979 under the headline, "Volcker's depression." Between October 1979 and the middle of 1981, Volcker jacked up U.S. interest rates to a high of 22%. The result was to reduce the economy and banking system to a shambles (Figures 2-3).

On Oct. 16, 1979, from the New Hampshire headquarters of his presidential campaign, LaRouche had issued a call for Congress to impeach the Federal Reserve chief. LaRouche accused Volcker of either lying to Congress, or being incompetent for the job, when he had told Maryland Sen. Paul

FIGURE 2

The effects of Volcker's credit policy



These graphs are printouts from the computerized LaRouche-Riemann econometric model, published in EIR's issue of Nov. 6-12, 1979. While most economists were hailing the credit-tightening measures of Federal Reserve chairman Paul Volcker, the LaRouche-Riemann model projected a devastating impact: an aggregate 15% loss in real output over an eight-quarter continuous downturn through the end of 1981.

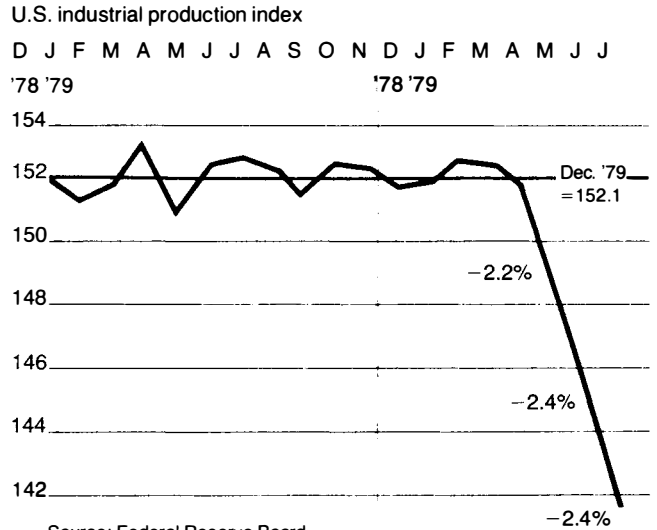
Sarbanes on Oct. 15 that the Federal Reserve had no means to channel credit to ensure that businesses stayed open.

LaRouche's statement read in part:

"As one of the world's leading economists, I have caused my staff to conduct a computer-based analysis of the near-term consequences of Volcker's measures. Those results, coinciding with the estimates of other analysts reporting independently, indicate that the measures already enacted by Vol-

FIGURE 3

What actually happened



Source: Federal Reserve Board

cker will cause a 15% recession in the U.S. economy, probably putting the United States into a recession twice as severe as that of 1974. . . .

"The argument that Volcker's 'fiscal austerity' will hinder inflation is a hoax. Although there might be some temporary levelling off of inflation-rates during the weeks just ahead, by about January 1980, Volcker's measure would begin to send inflation-rates spiraling upward again. . . .

"There are two immediate measures which would ameliorate the present crisis. First, the U.S. gold reserves must be valued at an adjusted current world market value, a value to be negotiated with both the European Monetary System member-nations and the OPEC 'petrodollar' holders. This would stabilize the value of the dollar and take the worst pressures off dollar liquidity. Second, the Federal Reserve must immediately implement the kind of selective credit-flow controls which Senator Sarbanes proposed. This would not solve our nation's problems, but would give us breathing-room for developing a comprehensive, long-term set of monetary and investment-incentive measures."

On Nov. 5, 1979 in a speech before the National Economists' Club in Washington, D.C., LaRouche elaborated on the theme. The speech was reported in EIR's issue of Nov. 13-19, 1979:

"I'm opposed to Volcker's measures, not only because they're going to cause these awful things to happen to the economy, but because such measure are totally unnecessary. It represents an act of suicide, an economic suicide taken purely for ideological reasons, the ideological reasons being the refusal to accept the kind of alternatives I propose, that the government of France proposes, that the leading forces of the European Monetary System have proposed.

“Two things are central. The ideologues in Volcker’s group refuse to accept the return to a gold-based monetary system, that is, the remonetization of gold. This would not occur on the old Versailles-Bretton Woods basis, but would be a monetization of gold on the basis of its competitive market value as a monetary commodity, about \$375 an ounce, which is a fair market value for monetary gold right now—not to the credit of Adam Smith, but it just happens to work out that way.

“The second measure that has to be taken is what is called the ‘dirigist’ approach nowadays, of what some of the British call a ‘neo-mercantilist’ approach to organizing the world market and to shaping policies within nations.”

Where did the others line up on the Volcker measures? Here’s a selection of quotations from those who were then, like LaRouche, presidential candidates:

Jimmy Carter: “The number one threat to our national economy is inflation. Whatever it takes to control inflation, that’s what I will do” (to the *New York Times*, Oct. 10, 1979).

Ronald Reagan refused comment until his candidacy was announced.

George Bush: “The action by Federal Reserve Chairman Volcker is a necessary step to curb the staggering growth in the rate of inflation.”

And from among the economists:

Alan Greenspan, an adviser to Presidents Ford and Nixon, and now Volcker’s successor as chairman of the Federal Reserve Board: “The Fed has no alternative.”

How things went wrong

The point is this: Who has any right to talk about jailing corrupt bankers now, if they aren’t willing to go back and say that everything that has been done since Volcker implemented his interest rate policy has been a national disaster?

Was there an enduring significance to the Volcker policy? The answer is, yes, of course. If interest rates are increased to levels approximately double the average rate of profit of industrial corporations, farms, small businesses, public utilities, then, within not too long a time frame, those businesses are forced out of business. That is what the Volcker policy, and the policy of those who agreed to support Volcker, accomplished.

Volcker forced the United States into economic bankruptcy. That doesn’t mean the problem started with Volcker. For that, go back to the “Great Society” program, adopted after the assassination of President John F. Kennedy, when the destruction of U.S. economic power began in the name of the “consumerism.” Then, the taking down of the NASA space program in the period following the monetary shocks of 1967. That was the beginning of the so-called “post-industrial society.” And the decision to take the dollar off the gold standard on Aug. 15, 1971, which ended currency stability, wrecked world trade, and destroyed U.S. export markets. Add the oil shocks of 1973 and 1978, and then the Volcker

measures, which pushed economic activity below the breakeven point.

If you wreck the economy, and turn down policies, such as those designed by LaRouche for recovery, what happens? Since financial obligations and debt service are ultimately supported by physical production of new wealth, in the form of production, capital improvements, and technological innovation, a bankrupt economy, left unreversed, leads to a bankrupt financial system. And out of a bankrupt financial system, comes financial panic and collapse.

Was LaRouche right in October and November 1979, or not? Did Volcker’s high interest rate policy lead into an economic depression which bottomed out in 1982, or not? Was there ever any recovery from that economic depression, or not?

The forecasts issued from the fall of 1979 projected a slide into depression bottoming out in 1982. By the summer of 1982, Volcker’s policies had indeed wrecked the economies of U.S. trading partners, reduced the U.S. economy to bankruptcy, and created the basis for financial catastrophe.

On July 20, 1982, *EIR* published an article by LaRouche, “U.S. not responsible for Eurodollars,” in which he wrote:

“I hold an alternative out to these would-be, lecherous looters of the people of the United States. It is time to scrap the Rambouillet and subsequent foolish agreements, and to institute quickly those measures of sweeping monetary reform I have been consistently proposing since the spring of 1975. . . . The point of monetary collapse has been reached at which the bankruptcy of the Third World debtors has become the bankruptcy of the Third World’s creditors. . . . The time has come to shut down the International Monetary Fund and to end the grip of the Bank for International Settlements. Only a new, gold-reserve-based New World Economic Order can salvage a trillion dollars or so of presently unpayable debt. You gentlemen are behaving like pick-pockets plying their profession among the passengers and staterooms of the sinking ocean liner Titanic, who seem to prefer lying rich at the bottom of the Atlantic to surviving the catastrophe you have brought largely upon yourselves.”

The debt bomb: bankers vs. LaRouche

LaRouche’s alternative was a plan for the reorganization of Ibero-America’s debt, published in the United States in August 1982 as *Operation Juárez*. Circulated to the governments of Ibero-America and the United States during July and August of that year, the plan proposed a way to reorganize debt to permit a hemispheric economic recovery which would have transformed the world. Operation Juárez was the alternative to banking collapse and the imposition of genocidal looting on debtor nations. Then, as later, LaRouche was told by bankers and others, that technically, his plan would work; but politically, it was not acceptable.

Beginning July 9 of that year, following the July 5 bankruptcy of the Oklahoma oil patch bank, Penn Square, the

June 15, 1982



January 10, 1983



EIR was right about the Ibero-American "debt bomb," months before the liberal Establishment's media caught up with what was really going on.

Federal Reserve had begun pumping in reserves to prevent the bankruptcy of the U.S. banking system. This was reported in *EIR*'s Aug. 3, 1982 issue. By the end of the month of August, Mexico had taken the first steps to implement LaRouche's Operation Juárez proposal, when President José López Portillo telephoned the Presidents of Argentina and Brazil to ask their support in declaring debt moratoria. The financial system was on the edge.

On Aug. 24, 1982, *EIR* published a LaRouche-drafted script, an outline of how Ronald Reagan could have addressed the nation that night: "At the close of Sabbath, just after midnight tonight, I shall have used my Executive powers to put into immediate effect a number of emergency measures which are the first step in stopping this depression." By the first week in September, *EIR* was reporting that large U.S. banks—Chase Manhattan, Citibank, Bank of America—were unable to market their certificates of deposit. There were no buyers for U.S. bank paper.

During this same period, Henry Kissinger, then a member of the President's Foreign Intelligence Advisory Board (PFIAB), initiated the correspondence with then-FBI Director William Webster which led to the July 2, 1987 Boston indictment of LaRouche, and the December 1988 Alexandria railroad trial during which the prosecution team attempted to ridicule LaRouche's banking crisis forecasts.

On Oct. 5, 1982, LaRouche wrote, in an "Open Letter to Walter Wriston," then chairman of Citicorp: "I appeal to you and others of the banking community to come to your senses before irreparable damage occurs."

"The crucial problem is political, not economic," he

wrote. "It is the ideological commitment to what is called 'free market economics' which has caused the present depression and imminent financial crash."

On Oct. 19, 1982, *EIR* published Citibank's reply. Senior Vice-President Robert Rice said, "We don't need LaRouche, we can solve the debt problem ourselves."

We shall return to how Citibank proposed to do that. A week earlier, on Oct. 11, 1982, David Rockefeller, then chairman of Chase Manhattan Bank and head of the North American section of the Trilateral Commission, had told *U.S. News and World Report*:

"The U.S. banking system is very sound. Obviously, in times of recessions there are more business failures, and business failures have their impact on the banking system. There have been a few failures, but my own view is that the system itself is well managed and strong, and that regulatory authorities are working wisely and cooperatively with the banking system to deal with these problems."

It was not until Jan. 10, 1983, when *Time* magazine ran a cover story titled "The debt bomb," by Rimmer de Vries of Morgan Guaranty, that the media caught up with what had really been going on behind the scenes six months earlier, during the summer and fall of 1982.

Repeal Gramm-Rudman!

On Jan. 29, 1986, LaRouche delivered his State of the Union Address, in Arlington, Virginia. The speech was reprinted in the weekly newspaper *New Solidarity* in two parts, on Feb. 7 and Feb. 14. In it, he demonstrated the idiocy of the Gramm-Rudman budget-cutting amendment and President

Reagan's tax reform, showing how these would adversely affect the banking system:

"Unless we repeal the Gramm-Rudman legislation, unless we repeal this horrible tax reform, which is as destructive as Gramm-Rudman, it will shut the economy down! Real estate will be shut down; municipal utilities will be shut down; state and local spending for capital expenditures will be shut down—and so forth—unless that tax reform is repealed.

"Our banking system is collapsing. . . . At present, the current liabilities of U.S. commercial banks are about two and one-half times the size of these banks' current assets. In other words, the entire U.S. private banking system as a whole, is presently bankrupt.

"What's going to be hit? Federal revenue sharing? . . . That means, not only programs of the type for which federal revenue sharing was originally created, at least in words. . . . What that means is shutting down sections of state and local government. The areas most hard hit, will be the older, major cities of the United States, the ones with the big pockets of poverty.

"Another area that's going to be very hard hit is the state of Texas and the adjoining states of Oklahoma, Louisiana, and so forth, and southern California. . . . Mortgages will collapse. Entire banking systems will collapse. Fanny Mae will collapse. Ginny Mae will collapse."

And that is just what the combination of Gramm-Rudman and tax reform did during the course of 1986. During the first quarter of 1986, the net worth of the S&Ls became negative. Output of critical physical goods fell by around 15% in the first and second quarters of the year. The oil price collapsed, dooming the real estate and banking sectors of the Southwestern states. In that same State of the Union address, LaRouche called for the imposition of an emergency trigger tariff on oil imports, to protect the industry and the banking system.

They didn't want to hear. In an April 2 press conference, Vice President Bush said: "When it gets to damage your national security interest or gets to throw a number of financial institutions into turmoil, that cuts the other way. . . . So I think the only answer is market, but also the stability of the marketplace." As if it already hadn't happened.

LaRouche insisted, in 1979, in the cited proposals of 1982, in his 1985 published *Program for America*—his campaign platform for the 1988 presidential elections—in proposals circulated before and after the Oct. 19, 1987 market crash, such as "Keep the local banks functioning" of March 18, 1987, and "Summary of federal loan measures to stabilize state and local tax revenues" of Dec. 16, 1987, that what was first required was the recognition and admission that a crisis does indeed exist.

Such a recognition would take the form of either a presidential declaration of financial and economic emergency, or emergency action by Congress, to mobilize support for what would have to be done.

Banking and credit systems could be reorganized, reasserting the Constitution's provisions on creation of money, through a new issue of gold-backed Treasury notes, and ending the Federal Reserve's usurpation of the power of credit issuance, through the so-called Keynesian multiplier. Such gold-backed new credit would be issued through the banking system, at administrative 1-2% interest charge only, to prioritized borrowers in industry, farming, and in provision of basic infrastructure. Such credits would be intended to shift employment back toward production, and to permit the production of useful wealth, through high-technology, energy- and capital-intensive job-creation programs. Productive employment would be doubled in a five-year period, thereby also—providing transportation, energy, and water management bottlenecks were addressed—doubling output.

What's the objective? First, to end the economic depression by organizing a real recovery in employment, and production of useful goods and services, such as education and health. That way, the financial system can be rebuilt, deposits don't have to be wiped out, pensions can be protected, government revenues expanded. Anything else won't work. And it hasn't.

Deregulation made the crisis worse

What did those who opposed LaRouche in 1979, in 1982, in 1986 do instead? They insisted that the crisis could be solved by deregulating the financial system, deregulating the economy, and, as the crisis has deepened since 1979, they have insisted that more deregulation was what was required.

They took a banking system which was bankrupt by 1978, bankrupted the whole economy by 1981-82, and built up the biggest bubble of usury and speculation that has ever been seen in human history.

That's right. It started under Carter. It continued under Reagan. Reagan, the President of the "magic of the marketplace" and "free enterprise," the opponent of big government, had exactly the same policy as Jimmy Carter on these questions. It has continued down to the present day.

Benchmarks include the April 1, 1980 passage into law of the Reuss-Proxmire Omnibus Banking Act. Among other features, the bill empowered Volcker's Federal Reserve to change bank reserve requirements as it saw fit, waived state anti-usury laws, repealed Regulation Q, which protected the borrowing and lending of S&Ls, and preempted state usury laws as they applied to mortgage finance.

Who supported this? Here's what David Rockefeller had to say in a speech to the June 1980 conference of the New York State Bankers' Association:

"In recent months, I have detected a new, more constructive attitude among a number of government officials. On the one hand, I see a new awakening to the value of letting the marketplace dictate the services we offer and the prices we charge. On the other hand, I see a new realization of the pitfalls of applying excessive controls and artificial ceilings

on banking markets. . . . I would like to point to several encouraging signs. One was the decision of the Congress two months ago to phase out Regulation Q over a six-year period. In 1933, Regulation Q ceilings were imposed on bankers to ensure the safety and soundness of the financial system during the difficult days of the Depression. Today, these ceilings have outlived their usefulness and only serve to deprive consumers of what they could and should rightfully earn on thrift and savings deposits. Another positive sign, part of the same 1980 legislation, was the federal preemption of state usury ceilings on residential mortgage loans.”

And what happened? Within a year the chairman of the Federal Home Loan Bank Board, one of the agencies which regulated S&Ls, was before the House Banking Committee, reporting that 80% of the 4,700 S&Ls were operating at a loss, and that one-third were bankrupt. *EIR* reported in its issue of July 28, 1981 that the FHLBB chairman had told Congress, in order to avoid the costs of a bailout, “Wipe out unnecessary bank regulation.” He was testifying on behalf of the Thrift Institution Restructuring Act of 1981. A spokesman for the Treasury Department told *EIR*, “The whole purpose of this act is to allow the S&Ls to get out of the unprofitable business of home lending.”

On Sept. 5, 1980, Comptroller of the Currency John Heiman testified before the House Banking Committee’s subcommittee on financial institutions. He called for an end to interstate banking regulation, and “relief from the legal constraints that artificially confine the expansion of U.S. institutions’ full service banking operations to a single state. . . . Congress should begin lifting the barriers to interstate expansion of domestic institutions.”

The same month, the Carter administration leaked a preview of a report on the nation’s banks prepared by Domestic Policy Adviser Stu Eizenstadt. It called for the modification of the standing Douglas Amendment to the McFadden Act to permit interstate banking. Carter’s Treasury Department representatives spoke candidly about how this would be achieved: “We’ll chip away at it. Little by little it will become irrelevant, and one day someone will say, ‘Hey, by the way, we still have McFadden here,’ and we’ll take the corpse and sweep it under the rug. The way McFadden and Douglas are written, there are too many ways to get round them. They are all loopholes and no cheese.”

That day came on June 27, 1983, when Walter Wriston, chairman of Citicorp, testified before the Senate Banking Committee. There is “a certain irony,” he said, “with respect to a moratorium on so-called non-banks acquiring or becoming banks. That horse is long since out of the barn. . . . The combination of interstate banks and S&Ls offers a crystal clear picture of the effectiveness of our present ban on interstate banking. . . . The dam has already broken and it is too late to hold back the waters.”

October and November of 1980, just before and after the presidential election, the Federal Reserve, acting through its

Depository Institutions Deregulation Committee, phased out anti-usury regulations, permitted commercial banks to operate reserve-free International Banking Facilities, and began to phase out restrictions on interstate bank lending. Never mind the damage that had been done, and was yet to be done by Congress. This was Volcker’s Fed by fiat.

Policies wiped out the S&Ls

Under the free enterprise President, the Garn-St Germain bank bills were rammed through the House and Senate in September 1982, becoming law on Oct. 12. They permitted any institution to buy any failing institution, and permitted S&Ls to undertake money-market operations. They were supported by Treasury Secretary Donald Regan, one-time chairman of Merrill Lynch, in pretty much the same terms that Carter administration officials had employed during the years before. He told Congress on April 28, 1981:

“The administration and Congress share the responsibility to resist the parochial interests of some institutions [S&Ls—ed.]. We must place greater reliance on market forces to determine the character and structure of our financial system. It is a desirable objective to all institutions on an equal competitive basis. At some point all institutions must have the same powers to perform the same types of business.”

Walter Wriston was quite frank about why he found these objectives “desirable.” He told the September 1982 issue of *Fortune* magazine, “Willie Sutton said he robbed banks because that was where the money was. I see that \$1.2 trillion out there, and I don’t see any number that looks like that anywhere else.”

The \$1.2 trillion was the deposit base of the S&Ls. Deregulation was designed precisely so that Walter Wriston and company could stave off the bankruptcy of the commercial banks that they had wrecked by employing the methods of Willie Sutton.

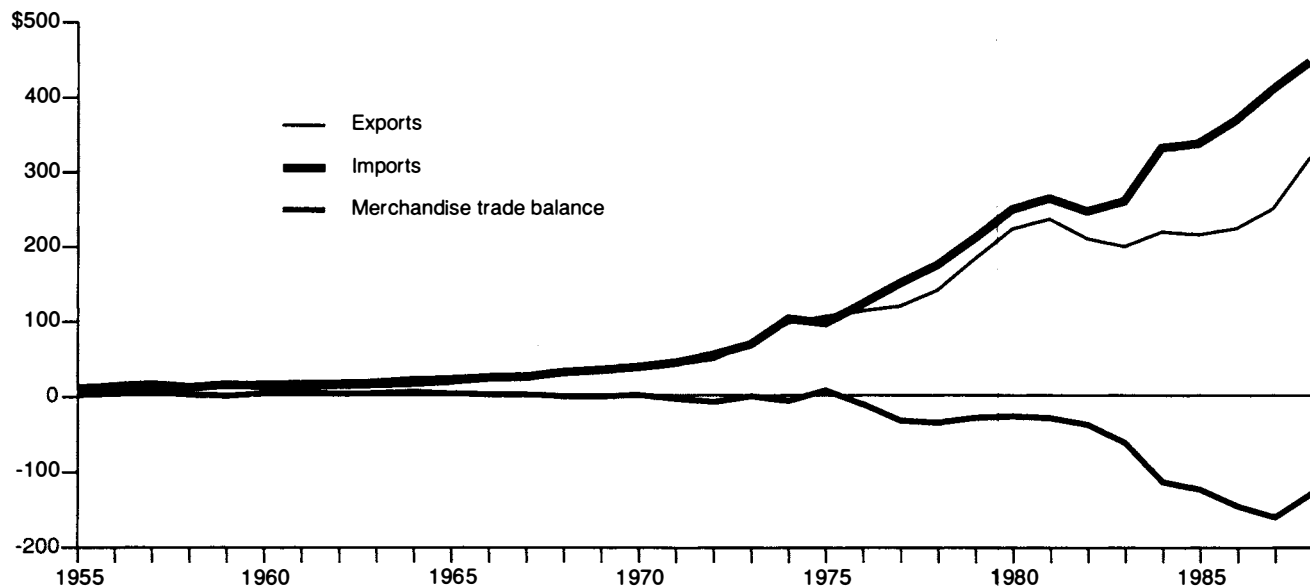
On July 19, 1983, Donald Regan told the *New York Times*, “I think a lot of these worries are overblown that the crash of 1929 could come back. We have to go on with deregulation.” Without further deregulation by Congress, he said, “banks will go to the states” to establish non-bank subsidiaries “that allow the most advantages to them.”

There were two institutional arrangements, apart from the treasury secretary, within the Reagan administration, which maintained continuity with the deregulation policy established under Carter.

The first of these was the Presidential Task Force on Regulation of Financial Services, established in December 1982 under the chairmanship of then Vice President George Bush. This committee produced a report, published July 2, 1984, entitled “Blueprint for Reform.” The group was reconstituted in Reagan’s second administration on Dec. 15, 1986. Among the recommendations of the first task force were ones returning now in the “throw them all in jail” campaign: “The FDIC would also have new authority to take enforcement

FIGURE 4
U.S. merchandise exports, imports, and trade balance, 1955-1989

(billions \$)



Source: International Monetary Fund

action against violations of federal law concerning unsafe bank practices in any bank examined by it where the primary regulator failed to take such action upon prior request of the FDIC.” Paul Volcker served on this commission, along with other officials from the so-called regulatory agencies.

The second arrangement for implementing deregulation was the Administrative Conference of the United States. This obscure body, brought into existence in 1964, oversees procedural matters arising from the activities of Executive Branch agencies. It is the bureaucratic overseer of the bureaucracy, and is staffed mainly by lawyers from the private sector as well as the government, who decide how regulatory procedures should be interpreted. In 1986, this body established a Special Committee on Financial Services Regulation. The chairman of the committee was Kenneth Bialkin of the Anti-Defamation League of B’nai B’rith; among its members was C. Boyden Gray, then counsel to the vice president and formerly of the law firm Wilmer, Cutler, and Pickering, whose partner Lloyd Cutler was Jimmy Carter’s White House counsel. James C. Miller III, director of the Office of Management of the Budget under Carter, involved in an earlier phase of deregulation planning, joined the commission in 1981, as part of its Committee on Regulation.

The deregulators started with a bankrupt U.S. banking system, and by 1989 had bankrupted the country perhaps three more times (Figures 4-7).

LaRouche was right, and was framed up and jailed. Many Americans will suffer as a result of his incarceration. Why?

Because his incarceration reflects the rejection of, among other things, the policies for which he stands, and has stood for. The Bush administration, nearly all the Establishment in Washington, is obsessed with the delusion that the Bush combination will continue to function: “Oh, we’re going to control this terrible financial crisis, LaRouche is wrong, we can ignore him.” The whole American population is going to hell because of the Bush administration’s attitude toward LaRouche and his proposals.

The ideological problem

LaRouche said in November 1979 that Volcker’s staggering interest rates were implemented for ideological reasons. In his October 1982 letter to Citibank’s Walter Wriston, he repeated the same, insisting that the problems were not economic, but political, ideological.

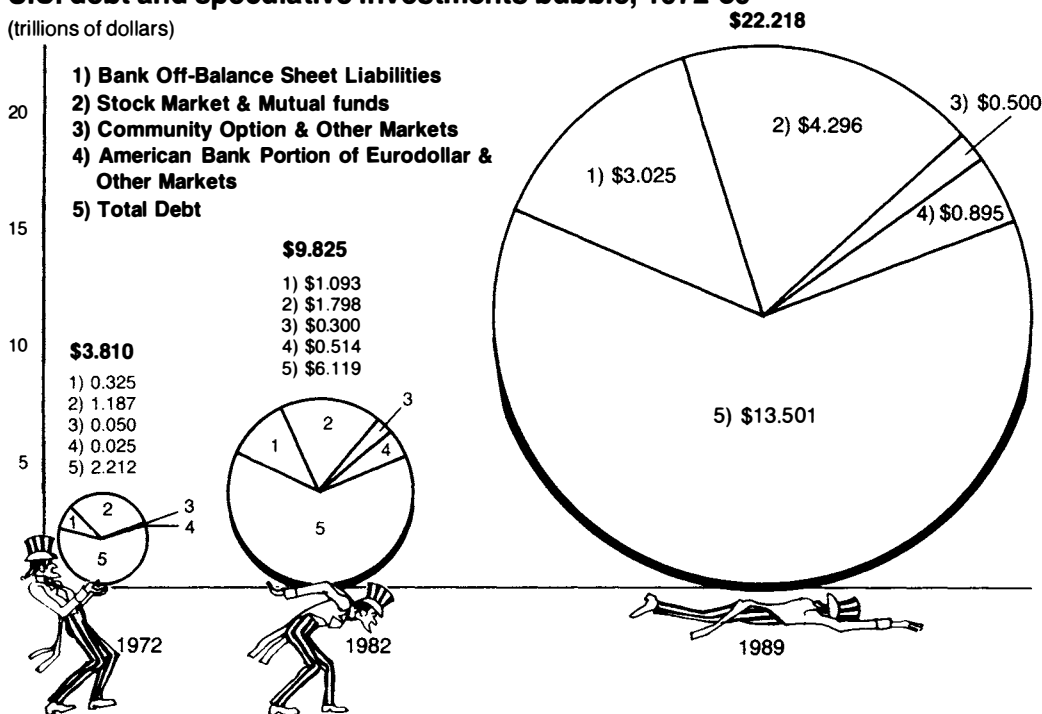
What is the issue here? The slogan form of it is the old saw “free market,” “magic of the marketplace.” The elaborated form of the matter was presented in a set of studies prepared by the New York Council on Foreign Relations (CFR) during 1975-76. The studies, the result of 10 working groups, involving 300 people, were published in an initial 30 volumes. Work was directed by the Committee of Studies of the Board of Directors of the Council on Foreign Relations, working through a 1980s Project Coordinating Group.

EIR presented a summary of the project in its issue of May 15-21, 1979 under the title “A conspiracy of morons: the CFR’s Project 1980s.”

FIGURE 5

U.S. debt and speculative investments bubble, 1972-89

(trillions of dollars)



In 1972, the total of all debt and speculative investments stood at \$3.810 trillion; by 1982, this was inflated to \$9.825 trillion, and then to \$22.218 trillion by the third quarter of 1989. This growth of the bubble by \$12.393 trillion in the last seven years has been misnamed the Reagan-Bush "recovery."

Source: Federal Reserve Board Flow of Funds Account; New York Stock Exchange Fact Books; Chicago Board of Trade published reports; Salomon Brothers, *The Status of Global Risk-Based Bank Capital Adequacy*, June 1988 report and updated reports; Morgan Guaranty Trust, *World Financial Markets* newsletter

Leading individuals associated with the project left the CFR in 1977 to become the Carter administration. Among these: Carter's Secretary of State Cyrus Vance, National Security Adviser Zbigniew Brzezinski, Treasury Secretary W. Michael Blumenthal, and a host of junior officials like Leslie Gelb, Richard N. Cooper, and Joseph S. Nye. There was a significant overlap with the membership of David Rockefeller's Trilateral Commission. Rockefeller is among the funders of the CFR.

The project became the adopted policy of the Carter administration; it continued to be, through the two Reagan administrations, down to the present day.

The CFR's 'magic of the marketplace'

The late Fred Hirsch, formerly editor of the *London Economist*, authored one of the project's benchmark contributions, "Alternatives to monetary disorder." Hirsch identified what he called "the most urgent problem of the next decade" this way:

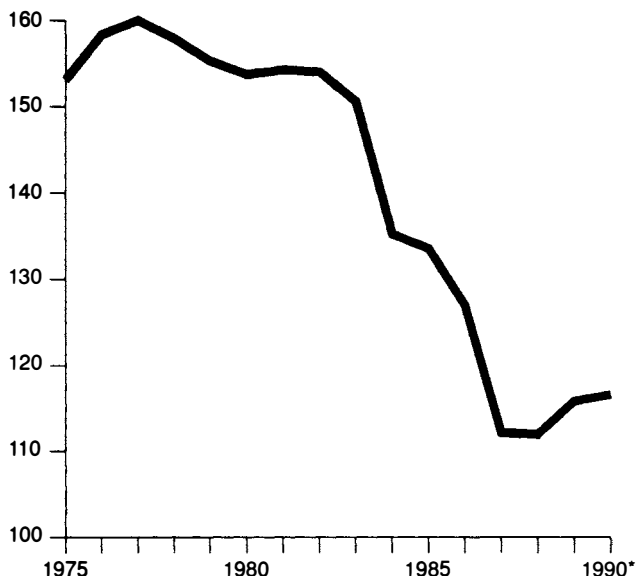
"An almost continuous series of conferences has brought together representatives of the developed countries, the less-developed countries, the oil-exporting countries to discuss the problems of energy supply, raw materials, economic development, and international finance. These matters hitherto have been dealt with independently and in low key. It is now the overt aim of the developing world to link these issues. Beyond this, by elevating decisions to the highest political

level, developing nations hope to substitute politicization for what they see as tacit acceptance of the *status quo* as it manifests itself through the operation of market forces and technical management.

"The developing world, as challenger of today's balance and structure of political and economic power, sees increasingly the explicit politicization of the international economy as an opportunity to forge a new international economic order more favorable to its interests. By contrast, in the view that dominates both governmental attitudes and the main thrust of analytical discussion in the developed world, the focus is on the dangers of increased political friction and economic disruption that would result from the substitution of political decisions for market or technical influences. Western governments see politicization as a threat to both economic prosperity and political harmony. In their opinion, the containment and reversal of the trend toward increasing politicization are among the most urgent international problems of the next decade."

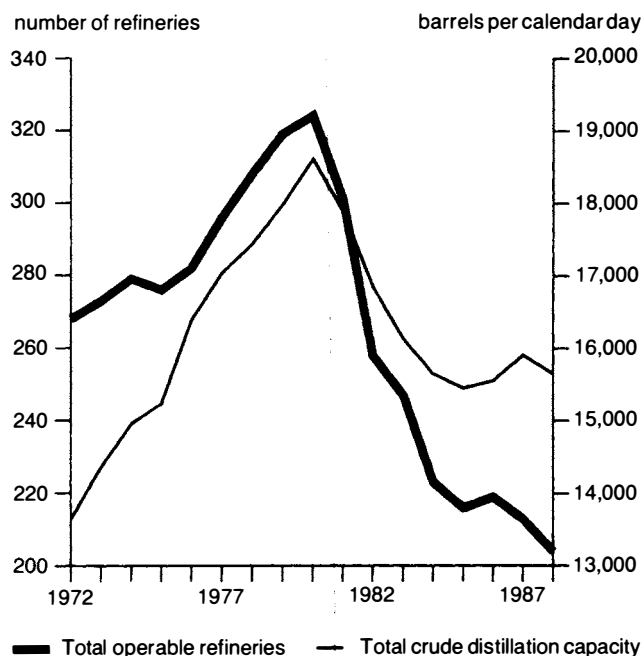
The backdrop to Hirsch's invective was the global process that had been unleashed by the issuance in 1967 of Pope Paul VI's encyclical *Populorum Progressio*. The Pope had sparked a movement among developing nations for a just, new world economic order, freed of the looting arrangements of the old colonialism and imperialism. In Pope Paul's view, "The new name for peace is development." Leading exponents of the movement included Mexico's Luis Echeverría,

FIGURE 6
U.S. steel production capacity



*preliminary
 Source: American Iron and Steel Institute

FIGURE 7
U.S. oil refining capacity



Source: Energy Information Administration

India's Indira Gandhi, Algeria's Houari Boumedienne, Pakistan's Zulfikar Ali Bhutto, among others.

In an April 1975 press conference in Bonn, West Germany, following a visit to Iraq, LaRouche had put forward a proposal to form an International Development Bank, to be formed by treaty arrangement among agreeing states, to organize monetary reform to the end of fostering three-way trade among the nations of the OECD, Comecon, and developing sector, securing the advance of the first two through the economic uplifting of the latter. LaRouche's proposal was voted up in 1978 at the Colombo, Sri Lanka conference of the Non-Aligned Movement—one of the principal targets of Hirsch's invectives against "politicization."

CFR rejects Hamilton and List

Hirsch identified two conflicting traditions in economic theory. One he called "mainstream liberal thought"—the free market theory of Adam Smith, David Ricardo, John Stuart Mill, et al.—the other "the neo-mercantilist." The neo-mercantilists were typified by Alexander Hamilton, George Washington's secretary of the Treasury, and by the German-American economist Friedrich List. Slyly, he lumped the Marxists in with what he called the neo-mercantilists, the better to lie in his scholastic language, that the movement launched by the Pope was a pro-communist movement. Ironi-

cally, another volume of the series posited Mao Zedong's China, barely then emerging out of the genocide of the Cultural Revolution, as the model for what the Third World should aspire to—Mao's China, and what was euphemistically called "a country in Southeast Asia." This was Cambodia, where, while the study was being drafted, Pol Pot murdered approximately one-quarter of the population.

The "nationalist concerns" of the developing sector, Hirsch wrote, "are far from new. They were eloquently addressed by Hamilton in his *Report on Manufactures* of 1790, in which he expressed the opposition of American nationalists to their country's assuming the role of a raw materials exporter to Britain. Nationalists feared and opposed two aspects of this role: the tying of American economic development to the British economy and the growing dependence on Britain for goods vital to national defense. Friedrich List, inspired by Hamilton's observations of American trade policy, outlined in *American Political-Economy* what he saw as the proper object for a developing country's commercial policy:

"This object is not to gain matter, in exchanging matter for matter, as it is in individual and liberal economy, and particularly in the trade of the merchant. But it is to gain productive and political power by means of exchange with other nations; or to prevent the depression of productive and political power, by restricting that exchange."

A program of 'controlled disintegration'

The way Hirsch proposed to deal with what he called "the most urgent international problems of the next decade" was thus:

"A degree of controlled disintegration in the world economy is a legitimate objective for the 1980s and may be the most realistic one for a moderate international economic order. A central normative problem for the international economic order in the years ahead is how to ensure that the disintegration indeed occurs in a controlled way and does not rather spiral into damaging restrictionism. The problem therefore is not to minimize politicization in the process sense of political intervention in market outcomes; it is rather to create a framework capable of containing the increased level of such politicization that emerges naturally from the changed balance of forces in both domestic economies and the international system. The function of the loosened international economic order would be to provide such a framework by setting bounds to arbitrary national action and thereby containing the tendencies toward piecemeal unilateral action and bilateral bargaining that may ultimately be detrimental to the interests of all parties concerned."

Less than one year before he became chairman of the Federal Reserve Board, on Nov. 9, 1978, Paul Volcker delivered the Fred Hirsch Memorial Lecture at Warwick University in England. Volcker's speech was excerpted in *EIR* Oct. 16-22, 1979. It had originally been published in the London monthly *The Banker* in January 1979:

"I was tempted to take as my text today one of Fred Hirsch's last dicta: 'A controlled disintegration in the world economy is a legitimate object for the 1980s. . . .' The phrase captures what seems to me the prevailing attitudes and practices of most governments in this decade, as they struggle with two central issues that bedevil so much of our negotiations and our actions, not just with respect to money, but over the full range of international economics. . . ."

"Let us be aware of the difficulty of controlling disintegration, once fairly started. . . ."

"I do not suggest that we stand on a knife's edge forced to choose between integration and autarky. But I would much rather take as my rallying cry, as a focus for necessary negotiations, as an ideal from which to measure progress, the challenge of 'managing integration' rather than disintegration."

LaRouche and the 'American System'

What was the ideological issue then, and now, between LaRouche and the sponsors of the careers of such as Hirsch and Volcker?

On Nov. 6, 1987, LaRouche issued a presidential campaign statement, "The world economic depression in progress: why it happened and how recovery must be organized." He summarized the matter thus: "The time has come, to look at my record of performance as an economist. My qualifications as an expert are three. First, I am one of the very

few living economists who represent the economic policy on which our republic and its past economic successes were based: the policy which U.S. Treasury Secretary Alexander Hamilton was first to name 'The American System of Political Economy.' Second, the economic forecasts which my associates and I have produced, are the only accurate forecasts published by either governmental or private agencies during the past seven years. Third, my recommended policies are policies of the type which have been proven, repeatedly, in past experience, as the only effective way to organize a general economic recovery from a depression."

Add up the tally. LaRouche says he is an advocate of the methods of Alexander Hamilton. Hirsch, and the crowd who became the Carter administration, say that Hamilton, List, and the "American System" tradition are the enemy, "the most urgent problem of the decade." They insist on the counterposed tradition of liberalism, associated with Smith and Ricardo and company, against which the American Revolution was fought. LaRouche and associates produced a record of forecasts over the 11-year period since 1979 which is unparalleled in its accuracy, and against which every other agency, governmental or not, is reduced to absurdity. And LaRouche's proposed solutions would work, whereas those of his opponents have led to disaster.

What can be concluded from this? Ask yourself another question. Whom did you vote for in the presidential elections of 1980? Whom did you vote for in 1984? Whom did you vote for in 1988? Chances are you didn't vote for LaRouche in any of those elections. Chances are you did what most of the electorate does, and didn't vote at all, or you did what most voters do, and voted for what seemed to be the least offensive choice of those put before you. So you, like your neighbors and friends, share some of the responsibility, both for what has happened, and for what is yet to occur, don't you?

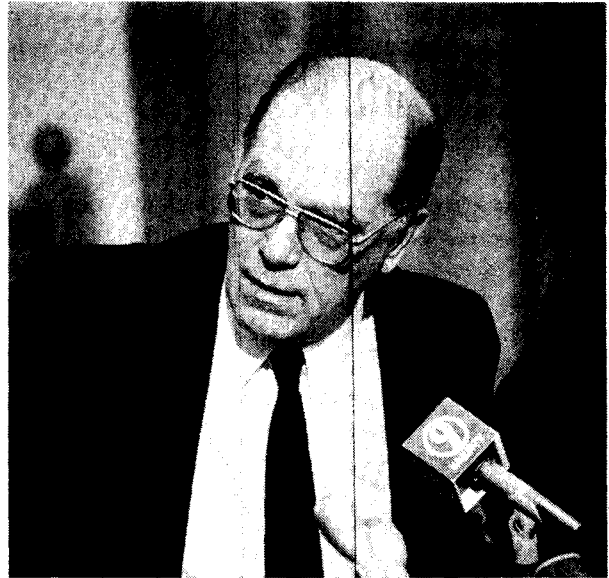
You did have a choice. Like millions of other Americans, you probably saw one or more of LaRouche's 21 half-hour televised addresses to the nation, broadcast during the 1984 and 1988 election campaigns (see box). Each of those broadcasts was devoted to a single theme, treating each issue in greater depth than any other candidate did. If printed policy studies and books are added, LaRouche probably supplied more than half of the political input of both election campaigns.

Hirsch, writing for the Council on Foreign Relations before he died, objected to what he called "the politicization" of matters which he preferred be handled in a "low-key" way, by "market forces" and "technical management," otherwise known as "bureaucratic methods." LaRouche's final campaign broadcasts of 1984 were disrupted, when the FBI illegally seized bank accounts held by First Fidelity Bank of New Jersey, preventing a second showing of the broadcast "Why the Soviet Government Supports Walter Mondale and Fears Lyndon LaRouche." The Alexandria judicial railroad

LaRouche's TV broadcasts

During his presidential campaigns of 1984 and 1988, LaRouche addressed the nation through numerous half-hour TV broadcasts, on issues ranging from the banking collapse to the transformations ongoing in the Soviet empire.

- Jan. 21, 1984, "LaRouche Calls for National Defense Emergency Mobilization"
- Feb. 4, 1984, "Stopping the Worldwide Economic Collapse"
- March 17, 1984, "Re-open America's Steel Plants Now!"
- March 26, 1984, "Henry A. Kissinger: Soviet Agent of Influence"
- April 27, 1984, "While Washington's Politicians Are Sleeping"
- May 10, 1984, "The U.S. Under President Reagan's 'Herbert Hoover' Recovery"
- May 31, 1984, "The Ominous Crisis in U.S. Defense Policy"
- June 1, 1984, "Stopping the Present Spiral of Worldwide Financial Collapse"
- June 2, 1984, "Ending the Catastrophe in U.S. Foreign Policy"
- Sept. 3, 1984, "Food Shock in 1984"
- Sept. 30, 1984, "What Is the Soviet Union?"
- Oct. 23, 1984, "Walter Mondale and the Neo-Nazi Green Party"



LaRouche on the campaign trail in Rochester, New Hampshire, June 1987.

- Nov. 5, 1984, "Why the Soviet Government Supports Walter Mondale and Fears LaRouche"
- Nov. 5, 1984, "Operation Juárez"
- Feb. 4, 1988, "Who Is Lyndon LaRouche?"
- March 3, 1988, "The Woman on Mars"
- April 12, 1988, "The Test of Fire"
- June 4, 1988, "Nothing Short of Victory: War Against AIDS"
- Oct. 1, 1988, "The Great Food Crisis of 1989-90"
- Oct. 31, 1988, "The Winter of Our Discontent"
- Nov. 4, 1988, "The Trial of Socrates"

against LaRouche proceeded even during the final weeks of the 1988 election campaign.

Is there a relation between opposition to "politicization" in favor of "market forces" and "technical management" and the defense of the liberal tradition against Alexander Hamilton and Friedrich List? The answer is emphatically yes, and it has everything to do with the most profound differences between LaRouche and his opponents. It has to do with the matter of what is a human being, and with the purpose of human existence.

Economics, and a conception of man

In LaRouche's view, and this emphatically was also the view of the drafters of the U.S. Constitution, Alexander Hamilton among them, there is an absolute distinction between mankind and the lower beasts. Mankind is distinguished by what Western Christian tradition refers to as "the divine

spark of creative reason." Creative reason is the universal power of the individual human being to develop and impart conceptions which are efficient in respect to the species' ability to transform the universe. Lower species can't.

LaRouche proves the efficacy of creative reason from human history, from mankind's progress from the mode of existence called by anthropologists "hunting and gathering," to the present day. Hunting and gathering society could only support maximally under 10 million persons, given the land area required to support each hunter and gatherer. Modern society supports, more or less well, 5 billion people, with the potential, if currently available technologies were universally applied, to support 50 billion. Mankind has created a three-order-of-magnitude increase in the Earth's population potential in the course of its historical existence. No other species has done so.

The increase is the work of creative reason. Scientific

discovery, improving man's mastery of the lawfulness of universal creation, through technological development, proves that man is indeed in the image of the living God, and not one among a delicatessen of forms of wildlife randomly deposited on the face of the Earth. This conception is the core of what has permitted Western Christian civilization to develop the way it has.

Alexander Hamilton's "American System of Political-Economy" is an outgrowth of that tradition, as is emphasized by the idea, developed in his *Report on Manufactures*, of "artificial labor"—technology replacing human labor to cheapen and improve production methods. The same conception is reflected in the Constitution's Preamble, "for ourselves and our posterity." There is a higher purpose to the brief life of the individual, assured only of the certainty that he or she will leave this world with no more than he or she brought into it. To discover, and improve, those knowable principles of natural law, which will leave the world a better place for those who come after us, and thereby also confirm the contributions of all those previous generations who came before.

Physical economy, the transmission belt by means of which developed ideas are transmitted to the future, is, for LaRouche, the means by which the adequacy of man's efforts to improve his mastery of natural law is vindicated.

Oppose that, and what is left? If man is no different than the lower beasts, what value does human life have? If it has no value, of what value are laws to safeguard human existence? What is more important than power and the maintenance of the power to dispose of human affairs in mockery of the Creator's laws? "Low-key" market forces and technical management, not politicization. Genocide and destruction, not fostering of mankind's uniqueness in the image of the living God.

Fascism, American-style

Hirsch's opposition to "politicization" thus reflects the same underlying outlook as his collaborator in the 1980s Project, Samuel P. Huntington, the author of the Trilateral Commission's report "The end to democracy." In modern political terms, the outlook reflected in the Council on Foreign Relations program for the 1980s, is called fascism.

The CFR's outline was translated into U.S. policy in the following way. While the CFR task forces were meeting, the American Bar Association (ABA) organized a Commission on Law and the Economy. This was founded in 1975, and issued its report at the end of 1979. The commission was chaired by John J. McCloy, then one of the leaders of the Council on Foreign Relations, and a leading member of the liberal Establishment. The commission's report recommended, "In lieu of governmental intervention in the economy, reliance should be placed when feasible upon the competitive market as regulator supported by anti-trust laws. Where governmental intervention is required, consideration

should be given to disclosure-or incentive-based modes of regulation before turning to the classical command and control modes."

This is the same approach that Hirsch recommended. The ABA's commission was funded by the Ford Foundation, ARCO Foundation, Exxon, Gulf, Mobil, and other oil companies. Commission members included Lloyd Cutler, Lawrence Walsh, Charles Kirbo, Daniel Yankelovich, Sol Linowitz, and Stanley Morris. Lloyd Cutler, from the law firm Wilmer, Cutler, and Pickering went on to become White House counsel for President Jimmy Carter; his partner, C. Boyden Gray, to become counsel to the Business Roundtable, and then to Vice President George Bush. Charles Kirbo was from the Atlanta law firm which produced Carter's Attorney General, Griffin Bell. Sol Linowitz of Xerox Corp. became the negotiator of the Panama Canal treaties. Lawrence Walsh is the Iran-Contra special prosecutor. Stanley Morris was regulatory affairs head at the Office of Management of the Budget under Carter, before becoming an aide to Edward Schultz, a top official in the first Reagan Justice Department.

The commission's mandate was what was known in the Carter days as "deregulation" and in the Reagan days as "the magic of the market place." The names and labels changed; the policies remained the same. The policies spawned were implemented by regulatory fiat, or *fait accompli*, without reference to existing law—constitutional or otherwise.

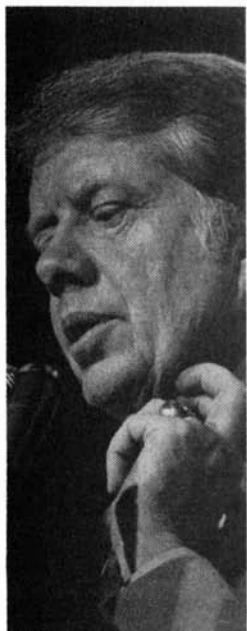
A test case: the HongShang takeover

The banking system was the model for transformation of America as a whole. The first test case was the Hongkong and Shanghai Banking Corp.'s application to take over Marine Midland in New York State. The application was registered with the authorities on Sept. 1, 1978.

By 1978, the U.S. banking system was bankrupt, after the combined effects of the collapse of the Bretton Woods system between 1967 and 1971, Nixon's Aug. 15, 1971 decision to remove the dollar from the gold standard, and the adoption of the insanity of floating exchange rates. Nixon's Phase I, II, and III austerity packages, modeled after those of British Labour Party Prime Minister Harold Wilson in the 1960s, and the oil shock of 1973-74 had done the rest. U.S. exports collapsed, and internal debt began to pyramid.

Outside the United States, a pool of about half a trillion dollars had accumulated in what were then known as the Eurodollar markets. The proposal was adopted inside the United States to solve the U.S. liquidity crisis by bringing offshore hot dollars, including drug trade dollars, back onshore. Back then, U.S. banks were forced to maintain reserves of up to 15% of their liabilities. There were no reserve requirements for banking activity in the offshore markets, however. To pull the funds into the United States, banking had to be deregulated. The HongShang takeover of Marine Midland was the first major test of the commitment.

Architects of the banking collapse



The ruinous policies of "controlled disintegration" and banking deregulation, begun by the Trilateral Commission's President Jimmy Carter, were continued under Ronald "Free Market" Reagan.

George Bush: He wants to arrest the S&L managers for implementing the policies that he and his Establishment friends demanded.

Paul Volcker: It was his "anti-inflation" program that shut down American industry and drove capital into wild speculation.

David Rockefeller: Under the slogan of "the magic of the marketplace," he promoted banking deregulation, wrecking the S&Ls.

During 1978, HongShang banker Y.K. Pao was brought onto the international advisory board of David Rockefeller's Chase Manhattan Bank. Chase and Citicorp shifted their international investment pattern, with Chase deploying one-third of its international funds out of Hong Kong, and Citicorp moving onto the island, to become by 1981 the fourth largest banking network there. Chase and First Chicago were appointed agents for the Bank of China in the United States. The First Chicago liaison official, Barry Sullivan, was deployed there from Chase, where he wrote Chase's proposal to transform U.S. banks, freed of reserve requirements, into what were called International Banking Facilities. Volcker, then at Chase, became the Fed chairman who implemented those changes.

The HongShang takeover, as was documented in the 1979 bestseller *Dope, Inc.*, was the centerpiece, because HongShang was the central bank for the international drug trade, whose proceeds were then estimated at \$100-200 billion per year. The drug funds were the core of the offshore monies known as Eurodollars.

LaRouche, and the U.S. Labor Party with which he was then associated, opposed the takeover. It was argued, in

hearings before the Federal Reserve Board, and committees of the New York State legislature, that HongShang did not meet the accounting standards demanded of U.S. banks, and did not do so because it was disguising its dependence on funds derived from the financing of the opium trade. The Labor Party case against HongShang bank was the basis for the later publication of *Dope, Inc.*

The case against the takeover was irrefutable under standing U.S. federal law, and under the state law of New York. Further, on Aug. 29, 1978, before the filing of the takeover request, HongShang's accountants had refused to certify the bank's position, because of undisclosed secret internal reserves. Income accruing from the sale of fixed assets, foreign exchange activities, and investments was added to or deducted from the internal reserves of the bank. The internal reserves themselves were kept secret. The bank, therefore, was maintaining two sets of books on its financial condition—one for the public, and one for itself. The accounting firms of Peat Marwick, Mitchell and Price Waterhouse noted that the Hong Kong government had intervened to ensure that the information not be released.

This disqualified the takeover under New York law, and

was the basis for opposition from New York Banking Superintendent Muriel Siebert. Opposition to the HongShang takeover led by March 1, 1979 to a demand from Siebert that Congress open an investigation into all foreign bank takeovers.

On March 16, 1979, chairman of the Federal Reserve G.W. Miller ordered all investigations into the takeover closed, and by fiat declared the acquisition accomplished.

What had happened? *EIR* reported in its issue of May 22-28, 1979, that the Bank of England had threatened to cut off U.S. banks' clearing rights in the City of London, if the takeover did not go through. The takeover, rammed through in violation of all law, by regulatory means, was the beginning of the deregulation of the U.S. banking system, and thus the beginning of everything that has followed from that deregulation.

The policy which Hirsch had sketched out for the CFR, and which the McCloy ABA commission had recommended, was elaborated by the *Financial Times* of London on May 8, 1979. Compare what the *Financial Times* recommended with what later occurred:

Banks' fears "are that the mountain of debt which has been piled up could be transformed by a serious recession into a landslide of defaults. . . . The issue has potentially far-reaching implications. Some banks want to see reserves virtually eliminated, a move which could have implications for the Eurodollar markets. . . . It is into this exciting environment that foreign banks which are expanding into the U.S. are venturing. They can be assured of an exciting journey. . . . On the banking side, it seems clear that the main causes of distortion are an excess of regulation of the wrong kind. The Federal Reserve is not allowed to pay interest on reserves. . . . Banks are not allowed to pay interest on current accounts. . . . Consumer credit is largely exempt from the Fed's own interest rate policies under state laws limiting interest charges. Congress could cure most of these worrying ills, but is unlikely to move."

The same deregulation perspective was organized for inside the United States. On May 14, 1979, A.W. Clausen, then chairman of the Bank of America, spoke to the Financial Analysts' Federation in San Francisco:

"Why does this country differentiate so minutely among the powers of commercial banks, mutual savings banks, savings and loan firms, finance companies, industrial banks, and to what end? . . . Why should not each be able to take in all types of deposits and make all types of loans through offices anywhere in the nation?"

By the end of 1979, it was estimated that 20% of all new bank lending in the U.S. originated from foreign banks. In New York, the figure was as high as 45%, and in Los Angeles 35%. By 1981, more than 20% of the equity of all U.S. corporations, after Volcker's interest rate war, was in foreign hands. And the takeover wave did not start until 1984. To keep their banks afloat, they let in the drug money, and

destroyed the country.

Could it happen here? It did!

Who should go to jail? S&L execs, sleazy or not, who did what the regulators demanded they do, after the elimination of Regulation Q, and the ending of usury laws? Political proponents of the U.S. Constitution.

A policy structure was put in place in the mid-1970s, with the task of eliminating the vestiges of what it called "neo-mercantilism," in favor of bureaucratic rule by an elite based on the power of international finance.

That policy structure identified its enemy as the political system of representative government based on providing for the future in fulfillment of the work of those who had gone before. It was predisposed to rip up the Constitution, and it has. The means adopted included bureaucratic *faits accomplis* and political orchestration of crises.

It has jailed its number-one enemy, Lyndon LaRouche, the most competent spokesman for the outlook and policies that the financial power structure opposes.

And now the world stands on the edge of the catastrophic crises that the policies adopted were designed to bring about. Where does that leave you and yours? Are you going to continue to sit this one out, as many sat them out in 1984 and 1988? Because if you are, you can kiss goodbye everything you hold dear.

ARE YOUR ELECTED OFFICIALS STILL FOOT-DRAGGING ON THE AIDS EPIDEMIC?

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An Autobiography by Lyndon H. LaRouche, Jr.

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Five non-Russian republics declare their sovereignty

by Konstantin George

History was made in the Soviet Union June 19-24, not by the highly publicized June 19-23 Russian Communist Party conference, but by the sovereignty declarations by the Communist Party leaderships, organizations, and parliaments of five non-Russian republics including the three biggest: Ukraine, Belorussia, and Uzbekistan. These moves by the same party leaderships which had furiously resisted any moves toward sovereignty, were the result of a policy shift by Gorbachov and the Presidential Council leadership forced on the Kremlin by the growing popular demands for independence or autonomy from Moscow Center.

The sovereignty declarations mean that the Soviet Union will soon no longer exist in its *present form*. What will emerge will be a mix of "sovereign" federated republics, confederated republics, and independent republics, with at least one common denominator: The end of Communist Party rule through the institution of the Communist Party.

The dissolution of the empire along nationalist lines has produced a debate within the Soviet leadership, analogous to that produced by the revolutions in Eastern Europe: Crack down with military force against populations who have "lost their fear" of the Kremlin and risk armed popular insurrections in several republics—in effect, many "domestic Afghanistans"; or, sacrifice the *ancien régime* form of empire for another form of empire. Moscow has chosen the latter course.

The June developments which forced this decision toward a new form of empire included the election of Boris Yeltsin, the outspoken champion of Russian sovereignty and a new, post-Bolshevik empire, to the presidency of the Russian Federation; the June 12 declaration of sovereignty by the Russian Parliament; and the speech delivered to the U.S.S.R. Supreme Soviet on the same day by Gorbachov announcing the coming replacement of the U.S.S.R. with a new "Union

of Sovereign States" containing federated, confederated, and more independent components.

Ukraine forced the turn

The turn in policy by Gorbachov does not reflect benevolence or generosity towards the non-Russian Captive Nations. Pro-independence developments in the largest non-Russian republic, Ukraine, with 51 million persons, forced the Moscow shift. The outlook of Ukrainians falls into roughly three categories: those who demand immediate independence, who are supported by the overwhelming majority in the western Ukraine, and are now beginning to gather support in central and eastern Ukraine; those who demand the gradual, evolutionary achievement of independence—the population of central and eastern Ukraine being roughly evenly divided; and those willing to remain affiliated to Moscow, albeit only in a loose, confederated form. In the autumn of 1989, the majority of Ukrainians were in favor of settling for autonomy. Today, the majority favor true independence.

This change in popular mood is not confined to whispered discussions in dark places. The new Ukrainian Parliament, elected in March with one-third of its deputies from the National Movement, Rukh, resounds with calls for Ukraine's independence which are printed in the Ukrainian media. A dramatic call was issued on May 31 by Rukh deputy Pavlychko, who began by describing bolshevism as "neo-colonialism built on Czarist foundations of dictatorship, which has transformed the pre-revolutionary prison of nations into a post-revolutionary concentration camp of nations." Pavlychko called on his fellow Ukrainians to exercise "the will of history itself, to bring down the last empire on Earth." He rejected as a "cover" and "masquerade" the Kremlin's policy for the "renewal of the federation," and demanded the "gradual,

evolutionary, peaceful, but continuous drive towards a real independence of the country.”

Moscow's 'Damascus Road'

With developments moving so quickly, Moscow had to ensure that concessions to Ukrainian national sentiments were made by the Ukrainian Party Congress which opened on June 20. The alarm from Moscow Center was sounded on June 18 in a statement issued by Grigori Revenko, the token Ukrainian on the Gorbachov U.S.S.R. Presidential Council, who declared that “pro-independence impatience is growing enormously, especially in western Ukraine.”

On June 20, while the Western media were focused on the Russian party conference in Moscow, the Ukrainian Communist Party congress opened. It was the first Ukrainian party congress in history where every speaker, including Ukrainian party head Vladimir Ivashko, spoke in Ukrainian. The party congress was a spectacle of overnight conversions by the party leadership, from Ivashko on down, to the cause of Ukraine's sovereignty. The *Wendehals* (wryneck) phenomenon, so familiar to East Germans, Czechoslovaks, Hungarians, and Poles, had come to Ukraine.

Ivashko personally presented the declaration of sovereignty resolution, which passed with near unanimity. It was not an independence declaration, but it asserted for Ukraine something approximating full domestic autonomy. It granted Ukraine “all rights and powers . . . except those which Ukraine voluntarily concedes to the Center.” It echoed the June 12 Russian sovereignty declaration, stating that the laws of Ukraine have precedence over those of Moscow within the republic. The speed of the political transformation can be seen in this declaration. A month ago, such a vote by a Ukrainian party congress could only have been forced at gunpoint.

The personnel changes made at the Ukrainian party congress also show the coming end of the present form of the Communist Party. Ivashko quit as party leader, turning it over to his deputy, Stanislav Gurenko. Patterning himself after Yeltsin, Ivashko got himself elected Ukrainian President, thus gaining the second most important seat after Yeltsin on the U.S.S.R. Federation Council, which consists of Gorbachov and the presidents of the republics. The U.S.S.R. Federation Council will spend this summer drafting the “new Union Treaty” for the new form of empire that will replace the Soviet Union. No time will be wasted, Ivashko stressed during the party congress: “There will be no delay in working out the new Union Treaty.”

Within days of the Ukrainian party congress resolution, similar resolutions were adopted by the parliament of Uzbekistan, the largest of the U.S.S.R.'s Muslim republics, the parliament of Kirghizia, the Belorussian party congress, and the parliament of Moldavia.

The next change in the non-Russian republics will occur at the latest in October when the Transcaucasian republic of Georgia holds elections which will produce an overwhelming

victory by parties demanding immediate independence. Once that occurs, the greatest pro-independence surge yet will be unleashed.

Polozkov backs Gorbachov

In contrast, the Russian party conference, though it grabbed the headlines was, relatively speaking, a sideshow. Ironically, a confirmation of this assessment was provided by *Pravda* June 25, two days after the party conference ended, through published results of a poll taken by the Central Committee's Social Research Institute. The poll showed that only 18% of Soviet citizens still view the Communist Party as the “leading force in society.”

The Western media made much of the in-fighting that occurred at the Russian party conference, focusing on the heavy criticisms of Gorbachov by Politburo member Yegor Ligachov and others. The man elected to head the new Russian Communist Party, Ivan Polozkov, was depicted as “anti-Gorbachov.” The coverage ignored the predicament of the Communist Party. The party has been dumped from power at the top, where the Politburo and Central Committee have been kicked aside for the Presidential Council and the Federation Council, and has lost all support, including that born by fear, from the population.

After the Russian party conference ended and Polozkov gave his first press conference, it became clear that the conference had been a non-event. The “anti-Gorbachov” Polozkov became a critical supporter of Gorbachov: “He [Gorbachov] doesn't take revenge because of criticism. Naturally, I'm for Gorbachov remaining President and chairman or general secretary of the party. The presidial regime [the rule of the country by the Presidential Council] has not yet unfolded its entire potential, and the power of the party cannot yet be written off.”

The only criticism Polozkov had of Gorbachov made Gorbachov look “too benevolent”: “He is too tolerant, thinks things over too much, and is too cautious.” Regarding Yeltsin, who had beaten Polozkov in the Russian Parliament vote for the Russian presidency, Polozkov declared his readiness to cooperate with Yeltsin and with the Democratic Platform reform group in the Russian party, who form the core of Yeltsin's support: “I have no personal problems with him. . . . I am prepared, in light of the inner-party opposition, to take the Democratic Platform into consideration.” Polozkov declared his support for the “transition to a regulated market economy,” and for treaty-based trade between sovereign republics, thus echoing Yeltsin's position on these questions.

So much for Polozkov, Yeltsin, and Gorbachov. The majority of Russians couldn't care less about the Russian or the Soviet Communist Party. The Russian majority only knows what it doesn't want. It has not made up its mind as to exactly whom, or what, it does want. When it begins to, events sweeping across Russia will intersect the upheaval in the other republics. Turbulent times are at hand.

A look at Russia's new parties

by Our Wiesbaden Bureau

Just as in many of the Soviet Union's non-Russian republics, in Russia itself many new organizations, parties, and movements are springing up, all independent of the Communist Party. The Soviet newspaper *Moscow News*, in its July 1990 German-language issue, introduces some of these new parties. Of particular interest are the Democratic Party and the Russian Christian-Democratic Movement (RHDD). *Moscow News* asked one of the executive committee members of the RHDD, People's Deputy Viktor Aksyushchiz, who quit the Communist Party 11 years ago, about the aims of his movement.

Regarding his organization's principles, Aksyushchiz said: "Briefly, these are three: responsible anti-communism, Christian spirituality, and enlightened patriotism. A few words on what we understand under anti-communism: For us, every human being is the model and image of God such that even our opponents view us as brothers lost in Christ. . . .

"The current situation in the Soviet Union is a catastrophe, both materially and spiritually. We are convinced that in order to climb out of this chasm, the people must grow greater than themselves. History shows that a people only manages this when it strives for supremely high values, the highest ideals. In our view, Christian spirituality is the only thing which can save Russia. For us believers, spiritual values form the basis for all other processes, including the economic transformation of the country."

For the RHDD, "enlightened patriotism" means love of one's own people without national pride, extremism, or chauvinist aggression. Therefore, he said, his organization is completely opposed to the extremist Pamyat.

The RHDD currently has 15,000 members and its own group within the Russian parliament. Its membership is mostly concentrated in Moscow and Leningrad, where the movement is represented on the city and precinct soviets (councils). The RHDD grew out of many illegal discussion circles, Christian clubs, and groups operating under charitable covers. But even today, the Soviet regime is still attempting to use its remaining apparatus to make life difficult for the Christian Democrats. "Everything that we have, is the result of a tough fight. It was only with the greatest difficulty that we

could hold our founding congress; the KGB and the Central Committee of the Communist Party put pressure on the director of the Krasnaya Presnya Cultural Center where it was to take place. They told him not to let us in. The authorities only make concession when they are forced to do so."

The Russian Democratic Party

The Russian Democratic Party was founded in Moscow on May 27. It grew out of the Russian Democratic Bloc, which was largely under the influence of Andrei Sakharov. Leading members of the new party include the world chess champion Gary Kasparov and the People's Deputy Mikhail Tolstoy. The party's founding principles consist of a declaration of universal human rights, Andrei Sakharov's draft constitution, and the program of the Democratic Bloc. According to the party's declaration, "The RDP, acting as a mass democratic party, will contribute to the establishment of actual popular power in the republic. It will work toward cleaning out the remnants of totalitarianism, in order that it might give a new impulse to constructing a sovereign, democratic, and economically viable Russian Federation. The RDP considers it basic to its outlook, that the primacy of ideology over economy be rejected, and that it be reoriented toward the real needs of human beings."

Along with the Christian Democrats, the RDP rejects the idea of a Russia on the chauvinist model, as is espoused by Pamyat.

Elena Bonner's experience in the United States

The existence of this kernel of democratic parties in Russia is largely due to the untiring efforts of the late Andrei Sakharov and his wife Elena Bonner. Bonner recently traveled to the United States, and did not mince words when she warned Americans against being naive about Gorbachov.

She told *Moscow News* that the trip had made her very uneasy. "First, Lithuania. I was asked again and again: 'What's more important: the right of a people to self-determination, or the inviolability of borders?' It's like a powder keg which can explode at any time. . . . The Lithuanians will not let themselves be provoked. Then comes the blockade—a blatant inconsistency. Recently the Supreme Soviet of the U.S.S.R. condemned Azerbaijan's blockade of Armenia. Even though the decision was put into effect 'step by step,' as they put it nowadays, it's clear that the supreme power considers blockades to be illegal. But if that's the case, why is it legal to do it against Lithuania? Where is the 'new political thinking' with its priority on universal human values? Are the Lithuanian children sitting in their unheated kindergarten room perhaps not worth something more human from the standpoint of those who have proclaimed the new thinking?"

"Many Americans did not agree with me. In discussions they repeated one and the same argument: 'You can't obstruct Gorbachov.' "

What lies ahead for Ukrainian Church?

On June 25-26, for the first time the Ukrainian Uniate (Catholics of Eastern rite) bishops, who were all consecrated clandestinely, and oppressed by one of the harshest religious persecutions of any East European nation, met with Pope John Paul II in the Vatican. Also present were the Ukrainian bishops of the diaspora. On the eve of the meeting, EIR's Maria Cristina Fiocchi met Father Mateo Mychajlo Havryliv, Superior of the Hoshiv Monastery in Eastern Ukraine, at the Monastery of the Basilian Fathers on the Aventine in Rome, and spoke with him about this historic occasion:

EIR: One of the main topics of the meeting will be the legal recognition of the Catholic Church of Byzantine rite in Ukraine and the recovery of its property. What are the obstacles to be overcome?

Havryliv: The Soviet government and the Russian Orthodox Church have recognized up to now the Catholic Ukrainian Church only in the form of groups of believers, but they refuse to recognize it as a legitimate institution. After years in clandestinity, today we are allowed to celebrate mass, administer communion, and pray together. But all our Church's property, confiscated by the state in 1946 on Stalin's orders and turned over to the Orthodox, is still denied to us. We are restructuring the churches, but we are denied their possession. Our religious orders live in monasteries which they cannot own. It is not possible to open seminaries to train new priests. Cardinal Myroslav Lubachivsky, the archbishop of Lvov and head of the Ukrainian Church, is not allowed to visit his flock nor to take his place in Ukraine. Our bishops don't have the means to administer their dioceses—no telephones, no Catholic publications.

EIR: Is the Catholic press banned?

Havryliv: Legally no, but in fact no religious community has the right to own a press and print papers, not to mention an eventual television or radio spot. We cannot even have a bank account. In short, we exist, but it's as if we weren't there.

EIR: During his visit to the Vatican, Gorbachov promised the Pope a rapid enactment of the new law on freedom of conscience and religious association in the U.S.S.R. How has the situation changed since their meeting?

Havryliv: The only improvement since Gorbachov's visit was the suspension of religious persecution; everything else has yet to change. Gorbachov promised that the new law on freedom for believers would be enacted; he made big promises, but so far the mountain has given birth to a mouse.

EIR: What is the attitude of the Russian Orthodox Church toward the Ukrainian Catholic Church?

Havryliv: The hierarchy is very hostile, but the believers have ecumenical feelings toward the Catholic Church. They take part in our masses and pray in our churches. In many villages Catholics and Orthodox share the same church and alternate their religious functions with different rites.

EIR: Last March the negotiations carried on by two delegations, one Orthodox, the other from the Vatican, in Leopold, to discuss questions regarding the Greco-Catholic Ukrainian Church, were broken off by Ukrainian Bishop Sterniuk. Why?

Havryliv: Because the Russian Orthodox Church spokesman wanted to be the boss and impose their viewpoint by authority, and unhappily, the Holy See's delegates, Monsignor Mursyn and Monsignor Sulik, were not adequately prepared. The two Catholic archbishops should have met the Ukrainian bishops as soon as they reached the Soviet Union to go deeply into the problems to be dealt with, but they did not. . . .

EIR: In the West there is more and more talk about the danger of a civil war breaking out in the U.S.S.R., which would follow the failure of Gorbachov's perestroika. What is your opinion?

Havryliv: I will probably surprise your readers, but even here, one has to know certain things. Perestroika is essentially an economic reorganization to permit the restructuring of the military apparatus. The Kremlin leaders are concentrating all their resources to catch up with, and eventually surpass, the Americans in the conquest of space; I refer to the strategic defense system. The true strength of the Soviet Union is the Russian Army. Gorbachov is a puppet used by the army, and when he becomes useless, they will dump him. By that I do not mean that he does not show a certain political ability, doubtless greater than his predecessors had.

EIR: How is the population experiencing this reality which is so unstable and full of uncertainty?

Havryliv: Very intensely, and also quite nervously. The people understand that Gorbachov's biggest problem is the nationalist problem, and history teaches that every Muscovite regime, from the czarist to the communist, has always resolved the nationalist problem militarily. President Bush and Mrs. Margaret Thatcher ought to reflect on this reality. We must hope and pray to God. In such an uncertain period, we should pray more.

Peru's Shining Path: near the end?

Luis Vásquez Medina explains why their Maoist origins—though denied by U.S. 'experts'—may be precisely the reason their time is running out.

When the Peruvian police raided a luxurious mansion on the outskirts of Lima before dawn June 1, culminating a lengthy intelligence operation, they were greatly surprised to find the "general archives" and "Museum of Military Campaigns" of the Shining Path terrorists. The residence, in one of Lima's most exclusive neighborhoods, had been the site of the latest national congress of Shining Path's Communist Party of Peru at the end of 1989.

During the ensuing days, another four houses, all in wealthy parts of the city, fell into police hands. According to the police, more than 100 people were arrested, including no less than three members of the terrorists' central committee and practically the whole logistics, finances, and documentation staff of Ibero-America's bloodiest narco-communist organization.

The most significant find were the files showing the real identities of the band's top and middle-level commanders and listings of legal fronts providing backup to the terrorists and of people cadre should turn to in event of emergencies. According to the Lima press, the names and addresses of prominent Peruvian political leaders appear on the list.

Demonic destruction

Ten years ago, dogs were found hung from Lima telephone poles with signs reading "Deng Xiaoping, traitor to Mao." It was the announcement of the beginning of Shining Path's armed struggle, which has since then caused the country 18,000 deaths and \$15 billion in material losses. The terrorists fire-bombed factories, dynamited hundreds of electrical transmission towers, and bombed research centers. They raged particularly against agricultural experimentation stations in the backward highlands region. Their systematic liquidation of these centers and murders of hundreds of extension agents and teachers have thrown Peru back at least a decade in agricultural development, something really demonic in a country in which the majority suffers from malnutrition.

Shining Path insists that it is a strictly Peruvian movement, without international connections and support structures. U.S. government "Shining Path experts" such as D. Scott Palmer and Cynthia McClintock have long vouched for its "autochthonous" nature. In fact, Shining Path's origins

and current development are tightly linked to the international communist movement.

In the Shining Path of Bukharin

Shining Path is the belated product of the "Bukharinite" line expounded in the famous "Congress of the Oriental Peoples" convoked by the Communist International (Comintern) in the the Soviet city Baku in July, 1920. That heterodox position argued that world revolution would necessarily advance by means of revolutions in the backward colonial and neo-colonial countries. To accomplish this, the Bukharinites contend, Marxists should take into account millenarian autochthonous ideologies, which in syncretism with Marxism could forge an alliance between the immense peasant masses of those countries and their incipient worker vanguards.

For many Marxists, the Chinese Revolution of 1949 confirmed this hypothesis. And, in fact, the leadership of the first socialist revolution in a backward country was trained in the Bukharin line by Borodin.

The founder of the Peruvian Communist Party, José Carlos Mariátegui, argued the same thesis in the 1928 Comintern at which the South American branch of Comintern was formed. The core strategy Mariátegui propounded in his writings was that the path to socialist revolution in Peru would not begin with the small and incipient working class, but from messianic rebellions of the backward Indian majority seeking to reestablish the Incan society which existed before the Spanish Conquest.

He founded the Peruvian Communist Party on that idea. When the split between China and the Soviet Union took place in 1964, the Maoists took a larger ratio of the Peruvian Communist Party than in any other country outside of China. Mariátegui's *Seven Essays on the Peruvian Reality* was the bestseller at the colleges. A faction calling itself "In the Shining Path of José Carlos Mariátegui" was born inside the Maoist Red Fatherland party. In 1970, it split out under the name "Communist Party of Peru: In the Shining Path of José Carlos Mariátegui," presenting itself as the most radical and authentic followers of the Chinese Cultural Revolution.

There is more than enough evidence to affirm that Shining Path was, from its inception, a deployment of the most recalcitrant faction of the Chinese Communist Party, of the still intact "Gang of Four," who protected Shining Path founder

Abimael Guzmán during his long visit to China in the mid-1960s.

Between 1966 and 1970, there took place in Peru what a Rand Corp. sociologist called “the biggest peasant revolts of the century aside from the Chinese Revolution.” More than 3 million Indian peasants mobilized for invasions of large landed estates. Abimael Guzmán’s group, which was involved in the ferment, grew stronger during this period. Intelligence reports from the period speak of the presence of Chinese advisers in the Peruvian countryside. This peasant wave was only brought under control by Gen. Juan Velasco Alvarado’s 1969 agrarian reform.

The links between Abimael Guzmán, or “President Gonzalo,” as he prefers to be called, with the Beijing cliques were confirmed by the many gifts from China exhibited in the Shining Path museum which police discovered on raiding their Lima headquarters June 1.

There is more than enough evidence to affirm that Shining Path was, from its inception, a deployment of the most recalcitrant faction of the Chinese Communist Party, of the still intact “Gang of Four,” who protected its founder Abimael Guzmán during his long visit to China in the mid-1960s.

There *does* exist an ultra-radical communist international, whose roots are in the Beijing soil which has protected Shining Path from its inception. This Maoist international, which orchestrates the Shining Path support campaign in Europe and in the United States, has held two international congresses in London, with the participation of Shining Path, the Sikh terrorists from India, the Cambodian Khmer Rouge, the Revolutionary Communist Party of the United States, among others.

Abimael Guzmán began as a former professor specializing in the philosophy of Immanuel Kant. From the time he came to the University of Huamanga in the backward Andean city of Ayacucho in the 1960s, he delved into Indian messianism. That is the “blood and soil” ideology which supports a revanchist utopia of the Indian race for the resurrection of the Incan Empire. The role of the University of Huamanga and the stream of U.S. and French anthropologists who worked there was vital for the design of Shining Path as an ethnic separatist movement.

The myth through which Shining Path manipulates the Indian population is the “Inkari” myth, according to which the Spanish, in order to consolidate their conquest after killing the Inca (in 1533) dismembered the Inca’s cadaver and buried the pieces in the far corners of Peru. The myth says that from the moment in which Mother Earth (*Pachamama*) embraced the remains of her son, the Inca, the pieces of the cadaver began to move under the earth with the intention of reuniting. Once the corpse of the Inca is complete, the body will resurrect itself and the redemption of the Indian race will be a reality. Shining Path tells the Indians that that moment is about to come and to accelerate it, “the earth must be bathed with blood.”

Shining Path is finished

Abimael Guzmán, according to the best intelligence sources, is about to die. It is known that he has suffered from a rare form of leukemia of the red blood cells for more than 15 years, which should now be in its final stages, if it has not finished off the criminal. His wife, Alejandra La Torre, who lives in exile in Sweden, surreptitiously entered Peru a few months ago with the intent to bid him adieu. It is believed that her entry was detected and was one of the tracks which led police to the safehouse and the capture of the Shining Path files.

Neither the death of its founder, nor a successful but isolated police action, could assure Shining Path’s destruction. Hopes for a prompt victory here in Peru are encouraged by other more profound aspects on the international plane. The Tiananmen Square student rebellion and the unmasking of the oppression of the Chinese people, has had enormous effects on the minds of young Peruvian students. All the propaganda of a bucolic Communist China in which everyone was well-fed and happy was nullified, the moment television transmitted the images of Chinese tanks rolling over students who demanded liberty and progress for their people.

Although Shining Path has mobilized thousands of miserable and backward peasants as cannon fodder, hundreds of its leaders were recruited in the country’s universities, including the most prestigious private colleges. Today, according to military intelligence reports, Shining Path’s recruitment in Lima universities is practically nil.

Massive desertions of the gang’s cadre have taken place during the past few weeks. In Ayacucho, dozens of their military cadre turned themselves in to the Peruvian army. On May 17, Shining Path’s tenth anniversary, a leaflet appeared in Ayacucho announcing that a faction was laying down arms and quitting the battle. Two of the top Shining Path leaders operating out of Europe, the anthropologist Julio Casanova and Luis Kawuata, also announced their separation from Shining Path in late May. They claimed that other leaders were using the movement’s funds, gathered from its cooperation with cocaine trafficking, for their personal benefit, putting them in bank accounts outside Peru.

Canada is dissolved; is the U.S. next?

by EIR's Canada Staff

The June 23 provisional dissolution of Canada, through the failure of the provinces of Manitoba and Newfoundland to ratify the Meech Lake Accords, advances a program of uncontrolled disintegration of nation-states throughout the Western Hemisphere. It was clearly not the Indians of Manitoba Province, nor First Minister Clyde Wells of Newfoundland, who up-ended the Meech Lake agreement—a deal whereby French-speaking Quebec would ratify the constitution only on the condition that it would be granted special status as a “distinct society.” In fact, there had been agreement from Wells that he would submit the accord to a vote of the legislature (which he did not do) on June 9, and Manitoba's First Minister Gary Filmon, had assured Prime Minister Brian Mulroney that his Province would ratify on time.

Political economist Lyndon LaRouche, commenting on the failure of Meech Lake, warned against treating it as an “outburst of sincerity.” On the contrary, he said, “this is an outburst of manipulation.” The question is, who benefits from the present constitutional mess? Many observers noted that neither the stock market, nor the bond markets experienced any significant shock at Meech Lake's demise, despite the fact that the Canadian media were filled with glowing predictions of the Accord's passage.

The only real beneficiaries of the political breakup of Canada is the Anglo-American financial Establishment and its condominium arrangement with the Russian empire. Mulroney's view is indicative. In an interview, he said that “We have a stand-alone relationship with the United States, which is probably unique in the world—which is not unhelpful, by the way, in getting things done. We are developing a good stand-alone relationship with the Soviet Union.”

Free trade, the route to poverty

But that relationship will hardly be “stand-alone,” since the Establishment's plan is to form a North American Common Market, while imposing a Schachtian monetary and banking dictatorship on Canada, Mexico, and the United States. Articles in the London *Economist* and columns by American yahoos such as Pat Buchanan now loudly proclaim that the U.S.-Canada Free Trade Agreement (FTA) concluded last year ought to be extended to Mexico, and that the appropriate redrawing of the continental political map, including annexation of provinces (and perhaps, even secession of states), should result.

According to the 2.2 million-member Canadian Labor

Congress, FTA has been directly responsible for the loss of 105,000 Canadian jobs. Statistics released in early June report that 165,000 manufacturing jobs have disappeared in one year. But rather than placing the blame where it lies—in London, New York, and Washington—insincere Canadian voices are trying to blame Mexico instead. According to Peter C. Newman, writing in *MacLean's* magazine on June 25, the immediate fear is that “what's left of Canada's industrial base could disappear in the face of Mexican wage rate, which averages \$.60 per hour. [There is the threat of] Mexico's *maquiladora* zone . . . the deregulated area of northern Mexico where workers turn out every imaginable product for duty-free import into the United States, under minimum income conditions, with virtually no health, safety, or environmental standards.”

The big question is, will most Canadians swallow such misleading finger-pointing. Some 57% of Canadians in a recent poll said that the FTA has harmed their nation. Polls asking the question: “Should the United States and Canada become one country,” find 81% of Canadians opposed to it. Even in this traditionally placid population, the potential for something quite different than what the “common marketers” plan, might well be unleashed, once Canadians find that in their newly found regional independence, they have only traded their British colonial status for a far worse form of economic slavery.

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IMF tells armed forces to disappear

by Cynthia R. Rush

New military unrest has emerged in Argentina over the dramatic economic crisis faced by the armed forces. Funds are often not allocated for basic military operations and base maintenance, and officers and soldiers are forced to work second jobs to make ends meet. Recent wage increases have not alleviated the crisis over funding or wages. Yet, in early June, when an official of the International Monetary Fund met with Economics Vice Minister Carlos Carballo, he complained that the nation's defense budget was too large, and demanded that it be cut.

The Bush administration, and institutions such as the Trilateral Commission, are demanding that Ibero-America's armed forces be dismantled, reduced Panama-style, to a domestic constabulary which can "fight drugs." This plan does not sit well with Argentina's top military brass, but it has been endorsed by President Carlos Menem and Finance Minister Antonio Ermán González.

Reflecting tension over the economic and wage crisis, in mid-June Major José Antonioni of the Eighth Mountain Infantry Brigade unit based in Mendoza accused his superior, Gen. Jorge Apa of the IV Army Corps, of having withheld funds which were supposed to go to the Mendoza unit, and called for the general to be investigated by a Tribunal of Honor. The Mendoza unit had not received any monetary allocations for 45 days. General Apa's decision to relieve Antonioni of his command and impose 15 days arrest for insubordination, was rejected by the entire Mendoza unit. When Apa ordered other mountain units to repress the rebels, they refused to obey his orders. Other units based in the provinces of Córdoba and Santa Fe, indicated they would back Major Antonioni "with action" if necessary.

The incident was finally resolved through the intervention of two top generals, and their agreement to investigate General Apa, who subsequently resigned as commander of the IV Corps. But the economic crisis facing the armed forces is so dire, that further uprisings are expected in coming weeks.

'Don't ask for more'

Menem stated in early June that he would accept no pressures regarding military wages, and that whoever disagrees "can get out." On June 18, speaking on a radio station in the

city of Rosario, Menem told the military command that "the armed forces are not a trade union . . . they have to carry out specific functions and not demand better wages. We're not going to risk the country's economic stability granting funds we don't have."

Political analysts in Buenos Aires estimate that Menem's willingness to implement the IMF's austerity dictates, even if it means dismantling national institutions such as the armed forces, has lost him the support of the Army high command which previously backed him. Finance Minister Ermán González has infuriated the high command by indicating he wants to use the proceeds from the sales of state-run military companies to pay off the foreign debt, rather than to allocate those funds to the defense budget. Recently, Menem publicly insulted Army chief of staff, Gen. Martin Bonnet, after the latter requested that the President move up his timetable for pardoning members of the 1976-83 military junta who have been jailed on various charges. Bonnet was prepared to hand in his resignation, but eventually backed down from publicly confronting the President.

The President's popularity isn't doing too well in other spheres, either. His ratings are plunging in opinion polls, and he has become the butt of jokes in much of the national media and television, which poke fun at his marital problems and his reputation as someone to be avoided because he brings bad luck. But it is Menem's embrace of neoliberalism and harsh fiscal austerity that is the real source of people's anger. Inflation is starting to shoot up again, and there are reports that new austerity measures will shortly be announced. June's inflation rate is expected to be in the range of 15%.

The popular support accorded Menem's estranged wife, Zulema Yoma de Menem, is something of a barometer of national sentiment. The First Lady has been highly critical of her husband's IMF austerity policies and their effect on the poorest sectors of the population. Last month she warned that the country "is going to the devil" as a result of these policies, and predicted they would fail by August. The First Lady is known to maintain friendships with Peronist labor leader Saúl Ubaldini, and nationalist army leader Col. Mohamed Alí Seineldín, both opponents of the government's economic policies.

In statements published in *Noticias* magazine in May, Mrs. Menem charged that her husband has, in effect, been kidnaped, and is surrounded by greedy individuals who only seek to use him. Shortly after that, Menem signed a decree ordering his wife to be removed from the official presidential residence in Olivos, forcing her to take up residence in a downtown Buenos Aires apartment. After Mrs. Menem moved into her apartment, slogans defending her began to appear on the walls near her apartment building. Zulema Yoma has indicated that she is prepared to expose high-level corruption among the President's closest advisers, and that she will not leave without a fight. "I assure you," she told the June 3 *Noticias*, "if he wants war, he'll get war."

Khmer Rouge on the march in Cambodia

by Linda de Hoyos and Uwe Parpart

The Beijing-backed Khmer Rouge, whose leaders carried out the auto-genocide of Cambodia during their short tenure in power 1975-79, is on its way to re-establishing its power in Phnom Penh. Responsibility for such a victory must be laid at the doors of Moscow, Washington, and Beijing, which have used the Cambodian people as nothing but cannon fodder since the multi-power agreement to dispose of Cambodian head of state Prince Sihanouk in 1970.

In the last two months, the Khmer Rouge has managed to duck negotiations for a ceasefire, initiated by Japan and Thailand, while steadily making headway on the battlefield. According to the London *Financial Times*, the Khmer Rouge has made the most significant gains its 11 years of fighting the Hanoi-backed Phnom Penh government. The Khmer Rouge, along with the U.S.-backed KPNLF and Sihanouk's ANS, have reversed the defense of the key provincial city of Battambang put up by the Phnom Penh government earlier in the spring, with the reported aid of Vietnamese troops. In mid-June, the Khmer Rouge bombarded Battambang with heavy artillery, used by the Pol Potists for the first time. The capture of Battambang, the Khmer Rouge believes, will clear the way for its troops to proceed down Route 5 to Phnom Penh.

The Khmer Rouge has also opened up another front, acting to cut Route 6, which straddles Tonle Sap on the other side. On June 6, the Khmer Rouge captured two district towns in Kompong Thom province, Stuong and Sandan. The Khmer Rouge also claims to have seized 70 villages in northwestern Siem Reap province and has opened a battlefield around Kompong Thom, in the vicinity of which they claim to have taken control of 35 villages. Between Kompong Thom and Siem Reap cities, Route 6 is coming increasingly under Khmer Rouge control. Five bridges have been destroyed. The Khmer Rouge has also succeeded in cutting Route 10 to the west. Simultaneously, according to Bangkok sources, the Khmer Rouge has issued directives to its guerrillas to increase political propaganda (accompanying terror of peasants), harping on the themes of Phnom Penh corruption and nationalist fervor against the Vietnamese.

Advantage to the Khmer Rouge

From all appearances, the Khmer Rouge is better equipped than its Phnom Penh opponents. Despite public

(and toothless) protests from Washington, the Beijing government has recently sent shipments of supplies and armaments to the Khmer Rouge, whose troops have been long prepared and built up by Communist China for the day of Vietnam's troop withdrawal from Cambodia last September.

Money is reportedly no object for the Khmer Rouge leadership, which has also begun sending its children to European universities. Ieng Sary, number six in the Khmer Rouge hierarchy, has millions of dollars at his disposal, according to sources quoted by the *Washington Times*. The money reportedly comes from Beijing or from the sale of gem mining rights in Pailin, the key town in western Cambodia seized by the Khmer Rouge last winter. The Khmer Rouge has enough money to buy rice from the peasants at inflated prices, paying in U.S. dollars or gold. Cambodian sources also told this news service that in the eastern battlefields, the Khmer Rouge simply carries money in from its western bases, buying weapons and materiel on the spot from either corrupted Vietnamese or Cambodian outpost commanders.

Adding to the Khmer Rouge's material clout, the U.S. House of Representatives voted June 28 to continue aid to the "non-communist" resistance forces. This aid, as reported by Peter Jennings's ABC television documentary in May, finds its way into the hands of the Khmer Rouge. Second, as Assistant Secretary of State Richard Solomon let slip during an interview on the Jennings show, such aid includes armaments, despite Congress's "non-lethal" provision. The House bill was promoted by Rep. Stephen Solarz (D-Mass.), chairman of the House Subcommittee on Far Eastern Affairs and an apologist for Beijing. It and was heavily lobbied for by the Bush administration.

In sum, the Khmer Rouge and its assisting KPNLF and ANS are poised to bring their military operations to successful completion.

Troubles in Phnom Penh

On the other side, Phnom Penh has few resources to meet this challenge. According to the Hong Kong press, a prior decrease in Soviet aid had already produced a condition in which the Phnom Penh army lacked spare parts for its heavy equipment. The Soviet Union and Eastern European countries are planning to cut off most of their economic aid to Cambodia, according to a confidential report of relief agen-

cies obtained by the *Washington Post*. That aid provides the Phnom Penh government with 80% of its revenue; 40% of the budget goes to defense. Economic relations with the U.S.S.R. will be strictly commercial, meaning that Cambodia must now pay on delivery for its oil and petroleum supplies, without the normal three-year postponement. Eastern European advisers have been recalled home.

The government has been forced to lay off 56,000 civil servants and to sell government gold reserves to meet civil and military requirements. The author of the report states: "When adding up all the factors, one must seriously question whether the country can survive longer than six or 18 months."

There are also signs of extreme tensions in the Phnom Penh regime. At the end of May, the government of Prime Minister Hun Sen reported an attempted coup, announcing the arrest of key personnel, including Ung Phan, Minister of Transport, Communication, and Posts; Kan Man, the deputy director of the European and American bureau of the foreign ministry; and Col. On Sum of the Defense Ministry's research department.

There may also be questions as to the military's reliability. According to *Bangkok Post* columnist Jacques Beckaert, the police are playing an increasingly important role in national defense and "their special A3 units are considered better trained and disciplined than regular army forces."

Washington blows up ceasefire

The opportunity for Khmer Rouge military breakthroughs was handed to the Pol Potists by the United States' sabotage of negotiations among all four Cambodian factions in early June in Tokyo. The talks had been painstakingly prepared, primarily by Thailand in conjunction with Japan. Thai Defense Minister Chavalit Yongchaiyuth, in coordination with Japan, had prepared a draft ceasefire agreement and successfully prevailed upon all four Cambodian factions to signal their concurrence by initialing the document in advance.

Enter Assistant Secretary of State Solomon. After years of no objections from the State Department to the United Nations' seating of the Khmer Rouge as the official Cambodian representative, Solomon, along with Pansak Vinyaratn, adviser to Thai Prime Minister Chatichai Choonhavan, insisted on changes in various clauses of the Chavalit draft, to the effect of "reducing the Khmer Rouge role." Presented with the changed document in Tokyo, the Khmer Rouge's Khieu Samphan claimed he had no mandate to sign it. The talks essentially collapsed. Further confirming the deliberate U.S. role in sabotaging the talks, on June 8, the military wing of the KPLNF announced that it did not feel bound by the Hun Sen/Sihanouk Tokyo "self-restraint" agreement.

One immediate reason for Washington's detonation of the talks is the Bush administration's consistent policy of kowtowing to Beijing, which is not interested in any settle-

Khmer Rouge forces cut Route 6



The Khmer Rouge are now simultaneously bombarding Battambang with artillery fire and pressing on Kompong Thom, with the aim of cleaning the path down Routes 5 and 6 to Phnom Penh.

ment that might block the Khmer Rouge's return to full power or remove the Khmer Rouge as a Beijing power card in the region. Washington's interest in bolstering Beijing's regional concerns in this case was further compounded by the Bush administration's reluctance to see any settlement evolve under the coordination of Japan. Japan's Minister of State for the Defense Agency had met in Bangkok with Prime Minister Chatichai to affirm Japan's support for Chavalit's mediation efforts.

In its drive for a settlement in Cambodia, to which Japan has pledged development funds once the war is ended, Tokyo was also mediating between Vietnam and the P.R.C. The Thai-Japanese effort, which saw major meetings in Bangkok between Thai leaders and leaders of all Cambodian factions and Vietnam, additionally had the backing of Indonesia, Malaysia, and the Philippines. The entire effort had shoved to the sidelines the 1989 intervention of the Australians, which, backed by the United States, was also aimed at establishing a British Commonwealth franchise over Indochina.

There may be a domestic motivation for Washington's blow-up of the Tokyo talks. U.S. embassy sources in Bangkok indicate that since early settlement of the Cambodia issue would put normalization of U.S./Vietnamese relations on the agenda before the 1992 elections, and since a majority of the 2.7 million Vietnam veterans would not look kindly on normalization, George Bush is in no hurry to draw the war in Cambodia to a close.

Sri Lankan civil war adds to instability of South Asia

by Ramtanu Maitra and Susan Maitra

The uneasy truce between the Liberation Tigers of Tamil Eelam (LTTE) and the Sri Lankan government has broken down over a trivial incident, and an all-out bloody war is now in progress in Sri Lanka. The 40-year-old ethnic crisis between the Tamils and Sinhalese, which has taken a toll of thousands of lives, is now fast approaching a state of civil war. The past history of Indian involvement with the Sri Lankan Tamils, coupled with a near-war situation prevailing in the subcontinent over Kashmir and Punjab, has made South Asia currently one of the most volatile spots in the world.

Reports about the present state of affairs in Sri Lanka indicate that the LTTE "Tigers" and the Sri Lankan military are determined to annihilate one other. At this writing, the Tigers, who had grown decidedly cocky after "defeating" the Indian Peace Keeping Forces during the latter's two-year stay in the island-state, have been inflicted with heavy casualties and are now on the retreat from urban areas in eastern districts. The Tigers are, however, holding their own in the rural areas of the eastern provinces, ambushing Sri Lankan soldiers mostly through mines and booby traps, and consolidating their hold in the northern districts where the Tamils have a decided edge over the Sinhalese.

The Sri Lankan Army, on the other hand, after initial successes in the urban areas, is now bogged down in the rural areas of the eastern districts. With the help of the Air Force, the Army is trying to break the Tigers' stranglehold in the northern districts. At this point, the pressure is on the LTTE.

The vicious mood of either side is reflected in the no-holds-barred and take-no-prisoners type of battles. Dead bodies strewn across villages mark the retaliatory measures taken by the victor. On the government side, Minister of State for Defense Ranjan Wijeratne summed up the situation best, when he said, Tigers chief "Pirbhakaran wants my head; I want his." Wijeratne also pointed out that the Sri Lankan Army is not like the Indian Army; it is motivated to *kill* the Tigers.

Though it is difficult to comprehend that the whole world would stand by and let this fight continue till one side is annihilated, the first country to take note of the situation, naturally enough, is India. Indian Prime Minister V.P. Singh expressed his concern recently about the situation in Sri Lanka and, as a policy directive, asserted that India would

not allow its territory to be used by "foreign terrorist groups" as a base of operation.

The foreign terrorists referred to by the Indian prime minister are none other than the LTTE militants, who, according to media reports, are operating from the southern Indian state of Tamil Nadu, 21 miles from Sri Lanka across the Palk Straits. The Tigers are reportedly off-loading arms purchased from Singapore and elsewhere along the Thanjavur coast in Tamil Nadu, and transshipping them to the northern Jaffna Peninsula of Sri Lanka using fast fiberglass motor boats. Such information has been widely circulated in India, but surprisingly, no action has been taken so far.

Tigers run amok in Tamil Nadu

The LTTE presence in Tamil Nadu is hardly news. Only recently, a posse of LTTE assassins broke into an apartment house there and gunned down 14 members of the rival Tamil militant group, the EPRLF, including its general secretary. In Sri Lanka, EPRLF was voted to power in the Tamil-dominated northern and eastern provinces, in an election organized under the terms of the India-Sri Lanka Accord and boycotted by the LTTE. The EPRLF government collapsed with the withdrawal of the Indian Peace Keeping Force in early 1990, and the group officially sought refuge in India. Their presence in Tamil Nadu was supposed to be a secret, but evidently security was breached.

The exposé of the LTTE massacre in Tamil Nadu, splashed across national dailies, was grave enough for New Delhi to summon Tamil Nadu Chief Minister M. Karunanidhi, who was told to clean out the Tigers and other militant Tamil groups. But only a handful of Tigers were arrested; the so-called clean-up operation was apparently an eyewash, indicative of the chief minister's own personal involvement with the Tamil Tigers.

Karunanidhi is by no means the sole Indian connection to the Tigers. Years ago, respectable Indian chronicles identified the presence of the Tigers in Tamil Nadu, and there were more than hints that India's foreign intelligence agency, the Research and Analysis Wing (RAW), was involved in providing the Tigers with arms training. Subsequently, a book by Rajesh Kadian, titled *India's Sri Lanka Fiasco*, stated that RAW was "orchestrating training" of most Tamil militants in India. Kadian states that besides the training, the guerrillas

were supplied with "replacement" weapons on demand.

Following the stationing of the Indian Peace Keeping Forces on the island in 1987, India came to clash with the Tamil Tigers when they reneged on the agreement to lay down arms under the terms of the India-Sri Lanka Accord. The umbilical cord between RAW and the Tigers was cut, but not before the RAW-trained Tigers, using mines and booby traps, had killed as many as 1,200 Indian soldiers. In addition to the RAW connection, the Tigers had powerful friends in Tamil Nadu. The late chief minister, M.G. Ramachandran, who was posthumously adorned with India's highest national award by then-Prime Minister Rajiv Gandhi, was a personal friend of Pirbhakaran and had helped the Tigers operate from safehouses in Tamil Nadu until the day he died. There are many other covert sympathizers of the Tigers in Tamil Nadu who tenderly address them as "the boys."

Many dangers

Such sentimentality is hardly appropriate. As Prime Minister V.P. Singh has pointed out, Indian support to foreign terrorists is fraught with many dangers. On the surface the Tamil Tigers demand an independent Tamil state (Eelam) within Sri Lanka, advocating the "two-nation theory"—one country, two nations—earlier pushed successfully by Mohammad Ali Jinnah before Pakistan was created. But, for

the Tigers, "Eelam" has become a mere ruse, a pretext for indulging in violence.

It is becoming increasingly evident that the LTTE is a fascist organization which promotes a mystical racial notion of the destiny of the Tamil people. Anything that stands in its way has to be attacked and destroyed: first, the Sri Lankan soldiers; then, the other Tamil militant groups; next, the Indian soldiers; and then, back to square one: Annihilate the Sri Lankan Army. According to on-the-scene reports from one Indian news weekly, Tamils in Jaffna who have come to accept the killings as "justifiable homicide" today see "nothing ahead." It is difficult to comprehend how the Tamil Nadu chief minister could support such a movement.

The process has already created a security crisis in the region. In 1983, President Junius Jayewardene of Sri Lanka, unable to cope with the Tamil militancy, sought help from British mercenaries and the Israeli Mossad to train the Sri Lankan Army in counterinsurgency. India justifiably opposed this move, citing a breach of the security situation within a stone's throw of its borders. A similar situation is again developing today. Sri Lanka buys arms from China, the United States, Pakistan, and others. It will be a danger to the region if China or some such hostile nation is allowed to dig its roots in Sri Lanka because of the threat posed by the Tamil Tigers.

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Prince Philip apes Adolf Hitler's creed

by Mark Burdman

In a commentary appearing in the *Sunday Telegraph* of London June 17, Prof. John Casey of Caius College, Cambridge University launched a sharp attack on the fascist "animal rights" movement. Casey identified Adolf Hitler as the most famous animal rights advocate of this century. Also, Casey singled out for attack an individual whose endorsement of paganism is familiar to readers of this publication: Prince Philip, Duke of Edinburgh, prince consort of Queen Elizabeth II.

Casey is a professor of philosophy and expert on questions of morality and ethics. He has just written a book entitled *Pagan Virtues*, which defends Christianity against its pagan critics. Earlier this year, Casey wrote an opinion column for the *Sunday Telegraph*, in which he warned that Britain would irreversibly be crossing the boundary from Christianity into paganism if its leading influentials continued to call into question the principle of the sacredness of human life.

His attack on the "animal rights" movement followed by days, an offensive launched by the left-Fabian *Guardian* newspaper in support of the "animal rights" philosophy. *Guardian* feature articles of June 11 and June 14 asserted that there was no moral or philosophical basis to distinguish human beings from the animal species, and singled out the most precious notions of the Judeo-Christian tradition, such as natural law and the primacy of human creative reason, as impediments to the realization of "animal rights." In the days leading up to the *Guardian* offensive, Prince Philip had openly lent his support to the pagan animal rights movement. Also, Britain and other countries have been hit by an increasing wave of "animal liberation front" terrorist actions, targeting scientific researchers in particular.

Do ants have rights, too?

Casey's June 17 piece is entitled, "How animals make an ass of man." He began the article with a quatrain:

"He prayeth best who loveth best
All things both great and small;
The streptococcus is the best;
I love him best of all."

After this colorful beginning, Casey, in the early segments of the article, called into question an historical-philosophical trend in English thinking which openly prefers animals to human beings, especially when those human beings are non-whites. He noted that the English have traditionally been guilty of what he calls the "heresy" of "animal worship." He warned that "conservationists and animal rightists" are proposing to replace the Judeo-Christian tradition with "a mixture of sentimentality and species fascism."

The Cambridge professor pointed to Prince Philip, international president of the World Wide Fund for Nature (formerly World Wildlife Fund), as representative of this kind of thinking: "The husband of the Supreme Governor of the Church of England [Queen Elizabeth II] recently tried to persuade the Pope to abandon Judeo-Christian teaching, in which man has dominion over all the beasts of the field, in favor of the conservationist view that human beings are now simply a teeming proletariat, who are making the world unsafe for gorillas, elephants, and badgers. This must have been the most improbable attempt at conversion since St. Francis of Assisi preached Christian pacifism to a startled Sultan of Egypt in 1219."

Further on, he honed in on the philosophy of the animal rights movement: "Until very recently, all philosophers and theologians taught that only persons can have rights. Indeed, the idea of a person is the idea of a being with rights. . . . The idea of the rights of animals is made up of several elements: a revulsion at inflicting pain upon them; a delight in them; and a denial of their otherness and strangeness. To claim that animals have rights is to reduce the very notion of rights to mere sentimentality, a matter of taste. To grant rights to gorillas and the higher mammals, but to deny them to sparrows and ants, is to make rights arbitrary, and to remove all force from the idea. And to extend rights to all living creatures would be to make the notion of a right unintelligible.

"If that is all we mean by 'rights' then we are in grave danger," he went on. "For it encourages us to think that having rights is not an essential, inalienable part of being rational. Human beings have rights, not because they are clever, or rare, or nice—but because they are human beings."

'His name was Adolf Hitler'

In the last two paragraphs, Casey went in for the kill.

"The idea that human beings are to be valued, not essentially, but only if they are members of higher, rarer groups, is not unknown in the modern times. And a love of animals need not lead to a reverence for human beings.

"The most famous animal lover of the 20th century happened also to be a fervent vegetarian. It is said that his dog was the only being which inspired human affection in him. If he saw anyone eating meat-soup, he berated them for consuming what he called 'corpse tea.' He thought that the world would be a better place with a smaller human population of the finest stock. His name was Adolf Hitler."

Animal rights: the new Nazism

The 'animal liberationists' are so crazy they might sound like harmless kooks—but look again. They're deadly serious. By Kathleen Klenetsky.

On June 10, a 13-month-old baby was nearly killed in Bristol, England, when a car bomb intended for a scientist exploded next to the infant's carriage. Just days earlier, British researcher Margaret Baskerville, a veterinarian at the Chemical Defence Establishment at Porton Down, barely escaped death when an explosive planted beneath her car detonated.

Authorities believed that both acts of terrorism were the work of so-called animal liberationists. In the Baskerville case, a man who identified himself as a representative of an animal rights group called BBC TV to claim credit for the attack, saying it was "unfortunate" that Baskerville had survived, and warning that "anyone who works at Porton Down is now a target."

These incidents are only the latest in a long string of acts of violence and intimidation carried out in recent years by the proponents of "animal liberation" or "animal rights." Their targets include scientists, researchers, farmers, pet owners, furriers, and fur-wearers—anyone, in fact, who uses animals in any way. Since 1981, ninety-one incidents in the United States alone, including bomb threats, break-ins, and arson, were linked to animal rights groups, according to the office of Rep. Charles Stenholm (D-Tex.). Scotland Yard has put the Animal Liberation Front (ALF) on its list of terrorist organizations.

'A rat is a pig, is a boy, is a dog'

The animal rights movement, which has been growing by leaps and bounds over the past several years and has received the de facto imprimatur of such oligarchs as Britain's pro-pagan Prince Philip, represents a potent danger to humanity. Behind all the rhetoric about protecting animals against cruel treatment, the animal liberationists' real agenda is to destroy the physical and philosophical bases for the survival of mankind.

With lethal intent, the movement has made biomedical research one of its priority targets. Through tactics ranging from actual and threatened violence through letter-writing and propagandist campaigns, it has succeeded in spreading fear and demoralization through the scientific community. Animal liberationists have wrought tremendous physical damage on labs and research centers, forced experiments vital to medical progress to be delayed or terminated, and frightened current and prospective scientists into other fields. "The potential toll

in human lives is incalculable," says one scientist.

In other areas, animal activists have promoted legislation aimed at shutting down all meat production, by imposing regulations on livestock farmers so stringent that they would either drive them out of business or drive meat prices into the stratosphere.

The animal rightists are quite open about their goals: They want to end the use of animals by man, period, and they are explicit about why this should be done. To view animals as having been created for man's use is gross "specieism"—according to Peter Singer, the movement's leading philosopher and author of its bible, *Animal Liberation*, first published in 1975. The fact that human beings are endowed uniquely with creative reason does not give them any greater importance, or greater rights, than animals, he says.

"I don't believe human beings have the 'right to life,'" asserted Ingrid Newkirk of People for the Ethical Treatment of Animals (PETA) in a 1986 interview. "That's a supremacist perversion. A rat is a pig is a dog is a boy." Newkirk also believes that ending animal experimentation is as urgent as the obligation to crush the Nazi oppression of the Jews. And PETA founder Alex Pacheco predicts, "The time will come when we will look upon the murder of animals as we now look on the murder of men."

These depraved views are gaining currency among larger and larger numbers of people. Six years ago, PETA, the best-known U.S.-based animal liberation outfit, had 8,000 members, an annual budget of \$242,000, and a staff of eight. Now it has more than 300,000 members, a \$7 million per year budget, and it employs nearly 100 people. According to the American Medical Association, the U.S. is currently home to over 400 animal-protection societies, which spend \$200 million each year.

Against the sanctity of human life

The utter contempt for human life expressed by Newkirk and Singer is far more dangerous than any specific act committed by the animal rightists, and places the movement on the cutting edge of the campaign to wipe out Judeo-Christian civilization, and bring back paganism.

By insisting that a man is no better than an animal, and that no animal should be "sacrificed" to human use (in scientific research, or as food or clothing), the animal liberationists

are consciously attempting to destroy the fundamental premise of Christianity, that God made man—and man alone of all Creation—in His image.

That campaign can be traced directly to the highest reaches of the international oligarchy, which is committed to recreating a global empire modeled on that of pagan imperial Rome. Prince Philip gave voice to this intention, when he gave a ringing endorsement of paganism, telling the National Press Club in Washington that pagan religions had been more effective than the “revealed religions” in cultivating a proper respect for Mother Nature.

Philip was in Washington for the North American Conference on Religion and Ecology May 16-19, which featured among its speakers leading animal-rights activist Michael Fox, of the Humane Society of the United States (see *EIR*, June 8, 1990, “Prince Philip and the EPA revive paganism as ‘ecology’ ”). In his presentation, Fox charged that man’s “doministic” attitude toward the animal kingdom had resulted in a “holocaust.” To establish the right relationship with nature, said Fox, humanity must abandon the “male, monotheistic religion of reason” and return to the “religious traditions of earlier times, which linked humanity to the animal kingdom through the Earth Mother, the matrix-creatrix . . . Gaia, Pan, Diana.”

Three weeks after the NACRE conference, Prince Philip told the London *Observer* that, in a recent meeting with Pope John Paul II, he had argued in favor of curbing human population growth, on the grounds that it was “reducing the space available” for wild animals. The prince also excoriated the Bible for allegedly promoting cruelty to animals. With exquisite timing, the prince’s statements came just days before 24,000 animal-rights activists demonstrated in Washington in favor of the pagan belief that man is on a par with the rest of nature.

Kill people, not animals

The animal liberation movement’s determination to obliterate the concept of the sanctity of human life is perfectly explicit. Peter Singer, a philosopher at Australia’s Monash University whose 1975 *Animal Liberation* is credited with initiating the animal rights movement, places himself in the tradition of British utilitarian Jeremy Bentham, who took love of animals to truly bizarre depths. Invoking Bentham’s ludicrous thesis that the most important characteristic of a being is its capacity to feel pleasure and pain, Singer argued that animals, because they have this capacity, should be treated essentially as humans—and vice versa.

This leads straight down the path to the wholesale destruction of human rights, including the fundamental right, the right to life. Singer has also written extensively on the need for instituting infanticide and euthanasia—against humans, not animals.

The Oxford-educated Singer has stated publicly that it is more moral to kill a “defective” human newborn, than it is

to kill a healthy chimpanzee. To say otherwise, he charges, is an example of “specieism.”

In 1985, in reaction to the U.S. “Baby Doe” decision, he wrote a book called *Should the Baby Live? The Problem of Handicapped Infants*, in which he insisted that the “doctrine of the sanctity of life, as understood in the Western tradition since Christianity prevailed, is not in any sense a fundamental tenet of a civilized society.” Singer cited examples of other “civilized” societies, such as ancient Greece, which practiced infanticide, and says that Western society’s “unusual” rejection of infanticide reflects “some seventeen centuries of Christian domination of Western thought and cannot rationally be defended.”

In an article published in 1983 in *Pediatrics*, Singer wrote: “Once the mumbo-jumbo surrounding the term ‘human’ has been stripped away, we may continue to see normal members of our species as possessing greater capacities of rationality, self-consciousness, communication and so-on, than members of any other species; but we will not regard as sacrosanct the life of each and every member of our species, no matter how limited its capacity for intelligent or even conscious life may be. If we compare a severely defective human infant with a nonhuman animal, a dog or a pig, for example, we will often find the nonhuman to have superior capacities, both actual and potential, for rationality, self-consciousness, communication, and anything else that can plausibly be considered morally significant.”

In a 1979 offering, *Practical Ethics*, Singer wrote that Bentham “was right to describe infanticide as ‘of a nature not to give the slightest inquietude to the most timid imagination.’ ” From there, he proceeded to argue for legislation that would “deny a full legal right to life to babies” for at least a month after birth. “Killing a defective infant is not morally equivalent to killing a person. Very often it is not wrong at all.”

In the same volume, he marshaled a host of arguments in favor of euthanasia—including “nonvoluntary euthanasia” and active euthanasia—against the elderly, the handicapped, and the terminally ill.

Hitler loved animals, too

As Singer’s pronouncements demonstrate, the animal rights mentality bears a frightening resemblance to the Nazis. Hitler, whose euthanasia program against “defective” German citizens led inexorably to the Holocaust, loved animals, and was a fanatical vegetarian, as were several members of his inner circle.

The similarity is not lost on the animal rights theorists. Singer wrote that, while the Nazis “committed horrendous crimes,” this “does not mean that *everything* the Nazis did was horrendous. We cannot condemn euthanasia just because the Nazis did it.”

Next: How the animal rights movement is sabotaging medical progress and agricultural production.

Europe's task to keep the peace

Giovanni Cavalcoli, a Dominican father active in the Roman Curia, says we must revive classical cultural values.

Forty cardinals, bishops, and representatives of religious orders from East and West were invited by the Pope to a meeting to prepare the special assembly of bishops to be held in 1991. The meeting at the Vatican from June 5-7 touched upon, according to an official Vatican press release, "vitally timely topics, such as the description of the situation and expectations, the theme and the date of the future special Synod, its preparation, the criteria for election of the Synodal Fathers, and the presence of observers from other Christian churches."

This occurred, the press release went on, "in a spirit of deep communion and unity with the churches which have come out of long decades of oppression, whose representatives have offered impressive witness of personal sufferings and those of the community for the Gospel."

We asked Father Giovanni Cavalcoli, a Dominican priest, to comment for our readers on this extraordinary event. He is active at the Roman Curia and has already published numerous writings on the role of Europe.

Father Cavalcoli said, "We have before us a great historical prospect from various standpoints: the construction of a united Europe and the edification of a European Church which will be able to recover with greater strength and sharpness . . . the Christian values, the values of faith which are at the origin of Europe."

He pointed out, "The times are quite favorable, both because of the crisis of communism and because of

the existence of spiritual ferment all over Europe. I think it will be a matter of getting European Christianity's 'two lungs' to breathe together, as the Holy Father likes to put it." He warned that "we must be quick to supply aid," to Eastern Europe, "including economic aid, because we stand before a grand spiritual rebirth, recognized even by the Communists," but great poverty of means.

Father Cavalcoli contrasted the "strong spirituality" in the East, "tested by countless sufferings," to the spread in the West of "a certain secularism . . . a certain sympathy for Marxism which has something paradoxical in it." Western Christianity shows signs of becoming "decadent, enfeebled, slack, a bit skeptical," he noted, with the faith "considered as one opinion among others."

"Now, too, there is the risk, which the Pope exposed, that the entry of freedom to the East may open the doors to the infiltration of negative and decadent elements from the West." Already, he said, "all kinds of cults, above all from the U.S., are coming in, and they are loaded with money. The Synod convoked by the Holy Father is for us believers a sign of great hope for such dangers to be allayed."

Cavalcoli believes that "no continent has as much potential as Europe to offer a Christian-inspired culture to the world. There is the need, in my view, for a recovery of the Greco-Roman culture which has been somewhat downgraded in these last post-Council decades. Of course, before Vatican II

there were nationalist-type exaggerations. But after the Council, a kind of self-wounding process took place. Now we must recover the most authentic humanistic values of the Greco-Roman tradition, so that the peoples outside Europe may also be inspired by these universal values without fearing extraneous superimpositions."

Father Cavalcoli observed that common origins in the Enlightenment, shared by Soviet Marxism and American liberalism, are shaping the "new cultural climate which is becoming hegemonic at a world level" in the "U.S.-U.S.S.R. dialogue." Taking an "historical" view of everything, this "new liberal-socialist Russian American ideology" makes the error of "relativizing truths and religious and moral values," he warned.

We asked him what he thought of the persistent talk of a New Yalta—a new dividing up of the world between the two great powers.

"The basis upon which it rests is very fragile," he replied. "I don't think it is capable of guaranteeing a truly serene future on the international level. This is also the Holy Father's viewpoint, which I fully share, and I refer to the Pope's calling upon the responsibilities of Europe, a Europe which can rediscover its own Christian roots. This recovery of Christian roots, in the Pope's intentions, is not a kind of historical-narcissistic revisitation, but an awareness of Europe's role in a task of great responsibility: maintaining and assuring peace in the world. The Pope considers Europe as the determining factor. Today peace cannot be guaranteed by these East-West treaties, although they have their value, so much as by a more active, decisive presence of Europe. May the voice of Europe also be heard by the great powers!"

What does Negroponte do?

The reign of U.S. "proconsul" John Negroponte in Mexico has coincided with a series of strange developments.

Less than one year in his post, U.S. Ambassador to Mexico John Dimitri Negroponte is already a central figure in Mexican politics. And while his influence grows weightier by the day, various anomalous events have been occurring, such as the Drug Enforcement Administration-coordinated kidnaping of Dr. Humberto Alvarez Machain in Guadalajara, and the forced U.S. admission that a "special operations group," with probable military credentials, exists inside its Mexico City embassy.

Most striking has been the ongoing bitter dispute between the two governments over the role of DEA agents inside Mexico. On June 15, the Mexican Foreign Ministry gave Negroponte "the new rules that will guide the presence on national territory of U.S. officials who are part of the Drug Enforcement Administration."

Once the "new rules" were established, the Chamber of Deputies summoned Foreign Minister Fernando Solana before it to explain the agreement whereby 40 Mexican anti-narcotics agents would be permitted to operate on U.S. territory, in exchange for an equal number of DEA agents on Mexican soil. Solana's appearance before the Border Affairs Commission, originally scheduled for June 26, was postponed a month — the result of Negroponte's intervention.

On June 23, Negroponte suddenly paid a "courtesy visit" to Guillermo Jiménez Morales, the head of the First Commission of the Chamber of Deputies, with whom, reports an informed Mexico City political columnist, Negroponte has cordial relations. At the

end of the visit, Negroponte told reporters that the two governments "have agreed not to publish the details" of their arrangement governing DEA agents in Mexico, but that it was "based on the principle of respect for Mexican sovereignty and laws." When the reporters insisted on knowing how many U.S. military personnel were "working" at the U.S. embassy, and how many DEA agents there were in Mexico, Negroponte specified that these were "the kinds of details into which we are not going to go."

Rodolfo Medina, Washington correspondent for the magazine *7 Cambio*, observed that "the Council on Hemispheric Affairs . . . recently released the text of a letter that Negroponte himself gave to former Honduran President José Azcona Hoyos, in which Washington warned that it was prepared to withhold accusations against high-level military officers involved in drug trafficking, in exchange for the extradition of another narco: José Ramón Matta Ballesteros. . . . What is happening in Mexico seems very much like what happened in Honduras." Medina wonders aloud: "What is Negroponte's mission in Mexico?"

As *EIR* has detailed in the past, Negroponte is a destabilization specialist, a skill he acquired during his stint at the U.S. embassy in Saigon in 1965, under the direction of Henry Cabot Lodge. It is well known that street riots intended to undermine the nationalist government of the Diem brothers, and to justify their overthrow and later assassination, were directed from that embassy. Some of the

riots were headed by Buddhist monks; Buddhism is a religion in which Negroponte has specialized.

Negroponte's mission in Mexico is to prevent, at all cost, the advance of the nationalist opposition movement around Cuauhtémoc Cárdenas and other sectors both within and outside the government who want to set an independent course in Mexican foreign and economic policy. To that effect, Negroponte's aim is to prevent a political reform and new legislation that would reflect the electoral and political reality of the Cardenist movement, and the genuine aspirations for progress of the Mexican people.

It is no coincidence that during the short period of his ambassadorial term thus far, the terrorist Revolutionary Worker-Peasant Party of Popular Unity has reappeared, and has demonstrated a logistical capacity for carrying out assassinations, kidnapings, and dynamite attacks in various parts of the country. Death threats have been issued against the pro-Cárdenas journalist Jorge Castañeda, son of the former Mexican foreign minister of the same name.

No one doubts that the threats against Castañeda are directed, by association, against Cárdenas as well. The harassment against Castañeda began in the United States with Wayne Cornelius, a professional academic "Mexico watcher" and mentor of President Carlos Salinas de Gortari and Mexico City regent Camacho Solís. Cornelius tried to keep Castañeda out of various U.S. media, under the charge that he is a "Cardenista."

It would thus seem that while Negroponte is already setting the agenda for the Mexican Foreign Ministry, he may also be managing the "Contra" groups emerging inside Mexico, just as he did during his Central American stint.

U.S. seeks to outlaw security forces

Media attacks on the narco-government have only one purpose: elimination of any independent military force.

Syndicated columnist Jack Anderson denounced the U.S.-installed government of Panama in an article on June 25. "Since Panama was 'liberated' by the United States from the clutches of Manuel Antonio Noriega, Panamanians are finding out that freedom isn't what it was cracked up to be," wrote Anderson. "The new administration of Guillermo Endara has show little patience for its critics in the press or inside the government."

After such an introduction, the reader perhaps expected Anderson to chastise Endara for trampling on the rights of, say, publisher Escolástico Calvo, who has been jailed on trumped-up charges since the U.S. invasion. Instead, Anderson took up the cudgels for *La Prensa's* Roberto Eisenmann, who "has been at the forefront of a crusade" to purge Panama's new constabulary of "corrupt former members of Noriega's Panama Defense Forces."

Eisenmann is facing opposition from Attorney General Rogelio Cruz, whose own résumé—says Anderson—"includes a stint as director of Panama's now defunct First Inter-Americas Bank, which was controlled by the Cali drug cartel of Colombia." But Anderson fails to mention that Eisenmann is tied to the rival Medellín cartel, through his co-ownership of Dadeland National Bank of Florida, a key financial institution for one of Medellín's money launderers.

Vice President Ricardo Arias Calderón, whose family links are also with the Cali cartel, is Eisenmann's main opponent. Arias is "none too

pleased with Eisenmann's criticism of those troops," Anderson reports, and at one point "tried to gain control of the 700 *La Prensa* shareholders and have Eisenmann fired." He didn't succeed, but his critics insist that Arias is covering up for "corrupt members of the Panamanian police."

Neither Anderson's column nor an almost identical attack appearing the same day in the *Los Angeles Times* made any reference to the most serious case of corruption of all: that of Col. Eduardo Herrera. Appointed at the insistence of the U.S. to head the Public Force, the constabulary that replaced Panama's Defense Forces (PDF), Herrera is at the center of the scandal involving the transfer of weapons obtained by Israeli reserve Col. Yair Klein to Medellín cartel kingpin Gonzalo Rodríguez Gacha.

According to the *Times*, Arias Calderón, who is also the interior and justice minister, "is moving to impose his policies in areas under the jurisdiction of President Guillermo Endara, and the second vice president, Guillermo (Billy) Ford." Ford, a former co-owner of Eisenmann's Dadeland Bank of Miami, is, to quote the *Times*, "an advocate of strict free-market policies, an approach scorned by" Arias's Christian Democrats.

They also differ in their approach to Public Force. Arias favored using former members of the PDF as the core of the new constabulary. "We wanted them to know that there is a place for them," Arias's aide Roberto Azbat told the *Times*. "We didn't want to see them become guerrillas." Az-

bat, according to sources in Panama, will soon be appointed the first civilian chief of the new constabulary. He said the use of the PDF "is only a transitory stage."

But Eisenmann and his allies are demanding that Panama abolish outright any security forces. This is not a new position for these agents of Project Democracy, the U.S. not-so-secret parallel government. Eisenmann, a contributor to the magazine put out by Project Democracy's public arm, the National Endowment for Democracy (NED), had *La Prensa* proclaim back in July 19, 1987: "Panama does not need an army." *La Prensa* also called for dismantling the Civil Police, the Coast Guard, and the Border Police in order to "have democracy." Ruben Carles, Panama's Comptroller General and an ally of Vice President Ford, told the *Times*, "Now is the time to build a completely new Public Force, while the Americans are still here."

As we noted in *EIR* on June 15, "It is not a case of beating swords into plowshares. While Panama will be denied its own army, there will be armed forces in Panama—U.S. forces." Those troops will enforce the new imperial agreements between the U.S. and the U.S.S.R.

U.S. Secretary of State James Baker told a meeting of Central American Presidents in Guatemala on June 18, that they should "take the historic opportunity" to cut their militaries.

According to the June 25 issue of *Newsweek* magazine, "Panama is the test case" for a "new era in U.S.-Latin American relations." U.S. Ambassador Dean Hinton, "America's closest approximation to the Roman Empire's troubleshooting proconsuls," is overseeing the demilitarization of Panama. "The heart of the program is the conversion of the Panama Defense Forces into a police force armed only with pistols and shotguns."

International Intelligence

Police shakeup in Colombia's 'drug capital'

Colombian National Police authorities announced on June 20 that major internal changes were under way in the city of Medellín, dubbed the country's "drug capital" because the cocaine-trafficking Medellín Cartel is headquartered there. The 96-man command hierarchy of the Medellín metropolitan police is slated for replacement by officers from Colombia's outlying provinces, and the top commanders of Medellín's F-2, the police intelligence unit, are expected to be transferred elsewhere imminently. Replacement of the entire police force is also under consideration.

The shakeup reportedly has as much to do with purging contaminated elements as it does with giving much-needed relief to the city's law enforcement agents. Medellín Cartel chieftain Pablo Escobar has offered a bounty of \$4,000 for every policeman assassinated in that violence-torn city. So far this year, 141 officers have been slain, and 40 more have resigned in fear for their lives.

"We are seriously considering changing all of the 160 officials and 4,187 agents we have in that city; that is, bringing personnel from different parts of the country. It is a measure intended to prevent infiltration by Medellín Cartel people," said one police source.

Romanian government consolidates fascist rule

Romanian President Ion Iliescu is setting up a new riot-control force, he told the *Times* of London of June 25. The move follows a bloody crackdown against anti-government demonstrators earlier in the month, in which stormtroopers recruited by Iliescu's government beat and jailed peaceful protesters.

The Romanian government is considering asking British or American institutions

to train some of the new riot-control units, Iliescu said, because they had the most experience in crowd control! The new force will be set up because, "for the police and the Army, psychologically speaking it is now difficult to confront the populace when they are on the streets," Iliescu said. "This has created a state of stress and a certain inferiority complex on behalf of some military units—even when they have to confront obviously rebellious elements. . . . Even though we had a legally elected government and state institutions were being attacked, the police did not dare to shoot to scare them even in self-defense. This is an indication of the acuteness of this psychological state."

Iliescu said he would have to recruit "young and determined lads."

China to strengthen militia to keep 'order'

The Army of the People's Republic of China is calling for strengthening the military capability of the country's militia to deal with what it termed "the urgency of the situation." The *Liberation Army Daily* of June 19 did not specify the source of the urgency, but it said the militia was supposed to "maintain social order."

In an earlier article, the same paper noted, "The possibility exists of local wars and military conflicts in the border areas of our country," and that much of the weaponry in the People's Liberation Army, while well suited to normal conditions, "cannot meet the needs of fighting in cold, hot, or jungle areas. . . . When they reach 4,000 meters, then the weak points emerge."

The sections of the Chinese frontier that are so high are mainly in Tibet—which borders on India, Nepal, and Bhutan—and Xinjiang, which abuts the Soviet republics of Tadzhikistan, Kirghizia, and Kazakhstan. To deal with "local war," the *Liberation Army Daily* said the PLA needed equipment "mobile on land as well as transportable by air," and which could be used in tropical areas as well as high altitudes.

Panamanians demonstrate against U.S. occupation

Giving the lie to the claims of the Bush administration that Panamanians "welcomed" the U.S. invasion of their country last Dec. 20, some 25,000 Panamanians, many dressed in mourning, demonstrated on June 22 against the continuing presence of U.S. troops and the puppet government installed by Washington.

This is the largest opposition demonstration since the invasion, and more than double the size of a previous demonstration, in May. The major sponsoring groups were the Relatives of the Fallen of December 20, the National Committee of Unemployed, the War Refugees of Chorillo, plus many trade unions, student groups, and groups of relatives of political prisoners.

Speakers at the rally denounced the crimes committed during the invasion and demanded justice and a government that was independent of the United States. The organizers vowed to hold monthly demonstrations on the 20th of each month.

Fang Lizhi freed: Will Bush restore ties?

The announcement on June 25 that Chinese dissident Fang Lizhi and his wife have been allowed to leave Beijing, is seen by intelligence analysts as giving the go-ahead for the Bush administration to fully restore relations with the Chinese Communist government. Astrophysicist Fang and his wife had been given asylum in the U.S. embassy in Beijing during the June 4 massacre last year.

The Bush administration hailed the release of the couple as a "far-sighted, significant step," which will allow improvement of Sino-U.S. relations.

Fang, who is now in Britain, will likely teach at Cambridge University. Xinhua, the official Chinese news agency, said that he and his wife have "repented" and promised not to take part in any anti-Beijing activities abroad.

Briefly

Gerald Seagal, a China expert with Britain's Royal Institute of International Affairs (Chatham House), said that the release of Fang gives the Bush administration the "symbol" it has been seeking from China since last year to prove that China is a "normal country" that you can do business with. Bush has been looking for the opportunity to make a deal with the P.R.C. since he sent National Security Adviser Brent Scowcroft and Deputy Secretary of State Lawrence Eagleburger there last year, Seagal said. The British government must also have played a key role in Fang's release, he said.

The Chinese government must be happy to let Fang go now, Seagal said, because he was causing problems in relations with the United States. Beijing is convinced that the opposition movement will never amount to anything, Seagal said, because it is too fragmented. Beijing's view is that sending a dissident leader with a "strong ego" abroad will just help splinter the opposition.

New role seen for NATO in 'gunboat diplomacy'

NATO must remain a viable alliance, to deal with threats from the South, including North Africa and the Middle East, stated Britain's permanent representative to NATO, Sir Michael Alexander, in a speech to the Royal United Services Institute in London on June 20. Because such threats exist, he stated, the NATO alliance is "still very much in business," despite what he described as diminishing East-West tensions.

Alexander said that NATO could be faced in the coming years with "precise" threats from the south, including a possible attack from a specific country. Under such conditions, NATO would be able to "retaliate" against that country. He didn't mention any specific country he might have had in mind.

A retired British military officer told *EIR* that the Alexander speech is one of "several hints of a European version of gunboat diplomacy being considered, as opposed to some kind of British unilateral action." He said there was a "fundamental re-thinking"

going on inside NATO, as "the nature of the potential enemy changes."

Many British military people believe that the kind of equipment and manpower Britain now has stationed in Germany is "no bloody good, if something is brewing south of the Mediterranean or in the Middle East." According to this source, there is much discussion in Britain about the growing "supranational threat of fundamentalist Islam."

Shamir hails end of U.S. dialogue with PLO

Israeli Prime Minister Yitzhak Shamir on June 20 praised the Bush administration for breaking off its 18-month-old dialogue with the Palestine Liberation Organization. He said he hoped Washington would never speak to the group again.

Bush announced that he was suspending dealings with the PLO because it had not denounced a May 30 attempt to raid Israel by sea.

"Today, after the United States has reached its conclusions, we cannot but welcome it," Shamir told Israel Radio.

Regarding Bush's comments that he would promptly reopen talks once the PLO condemned the assault, Shamir said: "It raises doubts that perhaps the United States has not reached a clear conclusion that what we are indeed talking about is a terrorist organization that never stopped terrorism for a moment. I hope this suspension will not be temporary but will determine a new chapter in the U.S. attitude towards the Middle East."

Intelligence sources report that there is more to the Israeli policy than meets the eye, however. During the last week in June, Shamir sent letters to Bush, Gorbachov, and Egyptian President Hosni Mubarak, on the issue of Soviet Jewish settlements on the occupied territories. The Israelis have asked Egypt to become the official mediator in negotiations with Lebanon, Syria, and Jordan. Egypt's foreign minister flew to Washington on June 24 to review the possibilities of a new round of Israeli-Palestinian negotiations.

● **THE WEST GERMAN** Parliament on June 22 formally denounced the violence perpetrated by Romania's President Ion Iliescu against demonstrators. The new Romanian dictator was accused of inciting violence against the opposition, to crush peaceful protest rallies in Bucharest. The resolution was handed over to the Romanian ambassador to Bonn.

● **THE BRAZILIAN** Green Party, which had failed to meet the relatively simple requirements for registration as a national party, and which had therefore been ruled ineligible to run for office, was resuscitated by vote of a majority in the Congress on June 23, who voted to waive the normal regulations and permit the party to be registered anyway.

● **ARGENTINA'S** nationalist military leader Col. Mohamed Ali Seineldin is the target of attack in the June 1990 issue of the Anti-Defamation League's *Latin America Report*. Author Martin Edwin Andersen, a friend of former Argentine President Raúl Alfonsín, accused Seineldin of being the primary threat to democracy in Argentina.

● **FRANCIS MAUDE**, Britain's Minister of State for Hong Kong will visit Beijing in July, the first British minister to visit there since the massacre last June. The visit will discuss arrangements for the shift of Hong Kong rule from Britain to China in 1997. The Foreign Office expects a deluge of domestic criticism of the visit, but a spokesman said: "We just have to brave it out. It is simply necessary to get on with our dialogue over Hong Kong."

● **Yael Dayan**, the daughter of the famous Israeli Gen. Moshe Dayan, is touring the United States with Faisal Hussein, whose father is an Arab military commander, under the auspices of the Peace Now movement. Dayan denounced the Bush administration's break with the PLO as "a gift to . . . the enemies of the peace process."

Outrage grows as voters read George Bush's lips

by William Jones

A burst of voter outrage has greeted what was hoped to be a low-key announcement by President Bush on June 26 that in spite of his repeated pledges of "Read my lips—no new taxes" during the 1988 election campaign, he was now prepared to raise taxes as part of a budget-gouging program which was being worked out by White House and congressional negotiators.

The move has made it official that when it comes to economic policy, there is only one political party in the United States: the party of the U.S.'s international creditors and their spokesmen in the Anglo-American liberal establishment, which has been squeezing Bush to raise taxes since before he took office in January 1989. As *EIR* has warned for over a year, tax hikes and other draconian measures, in a worsening economic picture, will increase pressure for the outbreak of the kind of mass resistance in the United States that has been seen over the last year in China, Eastern Europe, and most recently in Britain.

Miscalculation

In a short statement issued to the press on June 26, President Bush said that he had met with congressional budget negotiators in the morning and that it was clear to him that the following measures would be required: "entitlement and mandatory program reform, tax revenue increases, growth incentives, discretionary spending reductions, orderly reductions in defense expenditures, and budget process reform." No press conference was held and all interviews were refused. Key White House officials were carefully kept away from the press for the first few days—under the assumption that the uproar would die down in 24 hours.

The *New York Post* on June 27 carried a front-page article with a picture of a worried Bush and the headline "Read my lips . . . I lied!" The *New York Daily News* ran the headline "Bush's lips say the 'T' word." On radio talk shows throughout the country, President Bush was portrayed as a political

Joe Isuzu, the smiling prevaricator of TV commercials fame.

Senior congressional leaders endorsed the President's statement, but Republican legislators, many of whom have to face the voters again this year, were troubled by the President's about-face. Ninety GOP conservatives signed a letter to Bush telling him that any tax increase was "unacceptable," and Rep. Robert Walker (R-Pa.) calling Bush's announcement a "dumb trial balloon."

When it was obvious that the outcry would not die down within the projected 24 hours, White House spokesmen began to put their own "spin" on the President's statement. Marlin Fitzwater said that the announcement did not represent any reversal of the President's position, since he had already said, at the beginning of the "budget summit" with leaders of Congress, that everything was on the table. Finally, on June 29, President Bush himself held a press conference.

Bush tried to drape himself in the mantle of Abraham Lincoln, who also had to reverse his position when faced with new circumstances, he said. He also attempted to use the pretext of the "confidentiality during the budget summit" to avoid commenting on precisely what he meant by "tax revenue increases."

Under fire from all sides

Bush shot himself in the foot after the Democrats refused to continue with the budget summit barring some high-profile move by the President indicating his willingness to raise taxes. The budget talks had become deadlocked. New budget cuts proposed by Office of Management and the Budget director Richard Darman—\$51 billion, which would be taken primarily from domestic programs—were rejected by the Democratic negotiators. Although they were wholly prepared to gouge the budget and raise taxes, they were not prepared to pay the political price of being the ones to make the proposals. Meanwhile the White House had to revise its

forecasts of the costs of the S&L debacle, a revision which required \$100 billion in cuts in other areas, in order to stay within the deficit limits mandated by the Gramm-Rudman law.

The President, terrorized by the onrush of a major financial collapse, was willing to eat crow in order to break the stalemate. The months of financial manipulations by the Federal Reserve were no longer sufficient to keep the speculative bubble from bursting. The growing cost of the cleanup of the thrift sector, now estimated at roughly \$300 billion over the next 10 years, and the collapse of the junk bond market, the last-ditch attempt to pour high-risk liquidity into faltering U.S. financial markets, led to warnings by President Bush earlier this year that he was concerned about the danger of a "recession"—in spite of administration rhetoric about "90 months of continual economic growth."

The other major factor which obviously led to the President's decision was the need to convince the Japanese (now in the midst of trade negotiations with the U.S.) that Bush was prepared to deal with the budget deficit. Without the flow of Japanese capital into the United States, the U.S. financial markets would have collapsed a long time ago.

The austerity to come

Bush undoubtedly hopes to achieve the consensus with the Democrats necessary to carry through a brutal austerity policy. The other elements of the program, announced together with the "tax revenue increases" indicated what was in store. "Entitlement and mandatory program reform" essentially means gutting of social programs which have been the only means of staving off starvation for the growing mass of people living at or near poverty levels in this country. Medical assistance to new and expectant mothers is being drastically cut. In the nation's capital, public funds to shelters for the homeless are being slashed, and city workers are being given mandatory furloughs in order to cut their working hours.

In a further move to indicate the President's willingness to parley, the White House also announced on June 26 that it is shooting for \$25 billion more in budget cuts, some of which was to come from defense.

Meanwhile, the rage of the population at the enormity of the crisis is being redirected to scapegoats like S&L executives, who are being branded as scoundrels and criminals, and whom Bush vowed to throw into jail. What congressional candidate Lyndon LaRouche, himself a victim of the Justice Department's system of vindictive prosecution, characterized as "administrative fascism," is rapidly becoming a reality.

No real disagreement at the top

The lame reaction to the Bush announcement by the Democratic leadership, as well as the words of praise showered on the President by the Establishment media such as the

Washington Post and the *New York Times*, indicate that there is a consensus at the top about the envisioned austerity program. "The President has concluded that tax increases are necessary, along with other changes as specified in the statement, and we share the President's view," commented Senate Majority Leader George J. Mitchell (D-Me.). Sen. Jim Sasser (D-Tenn.), chairman of the Senate Budget Committee, said with regard to the President's statement, "We decided we're not going to stand around and beat him on the head and shoulders. He made the pledge, and now he's rethought it." Democrats are trying to be "even-handed," said Sasser.

The *Washington Post* thought that Bush "did the right thing," while the *New York Times* felt that he had "crossed the verbal threshold to sane policy."

The honeymoon is over

Now that the President has revealed his true colors, as one commentator remarked, "The honeymoon is over." As the "kinder, gentler" rhetoric of the Trilateral President turns sour in the light of his switch on the tax issue and the ever more brutal expression of his administrative fascist regime, popular anger is growing. As LaRouche, whose uncomfortable presence for the regime has been making itself felt in almost daily campaign radio ads on the Washington, D.C. all-news station, has stated, "What better should determine the outcome of the fall elections than the economic mess which Mr. Bush has bequeathed the nation, including the collapse of the banking system which Mr. Bush and his friends have vigorously supported? . . . It is Bush and his friends who supported similar Wall Street policies which have ruined the country."

Although there is a consensus at the top between the Trilateral President and the congressional leadership, there is a growing polarization between the Washington administration and the rest of the country—a fact not lost on Democratic or Republican congressmen, who must prove their credibility in elections this year. Rep. Beryl Anthony (D-Ark.) said bluntly, "I'm chairman of the campaign committee and we'll make it a political issue."

The White House "spin doctors" are going to find it difficult to control the firestorm of outrage unleashed by the hypocrisy of the Bush regime. This is partially reflected in the results of a Republican Party poll, published in the *Washington Times* on June 24—before the President's public shift on the tax issue—which found the "largest confidence disparity we have ever tested" between a President's approval rating (71%) and the number of people who think the country is heading in the right direction (36%). Only 22% of those polled expressed "strong support" for Bush. Sixty-eight percent do not believe the country is on the right track, and 60% think the country is definitely "off on the wrong track" (the most pessimistic reading in two and a half years). Only 7% think the economy is improving, and 46% think it is definitely getting worse.

Murder, suicide, starvation, death: U.S. Supreme Court protects them all

by Linda Everett

In its first euthanasia ruling, the U.S. Supreme Court June 25 ruled 5-4 that it is constitutionally permissible for states to require "clear and convincing proof" that an incompetent patient wants to die before allowing life-support or food and water to be removed. The ruling, in affirming a state's right to make laws that uphold the state's interest in protecting the lives of its citizens, *appears* to espouse some sentient notion of the inviolability of human life.

It does not.

Just as the majority ruled that states *may* choose to demand procedural safeguards of the highest evidentiary degree to determine an incompetent patient's treatment wishes, it also endorsed a sweep of state laws and court rulings that eschew such protections and allow the murder of patients under the most specious circumstances. The young woman this decision saved from a starvation death in Missouri, will probably just be moved to the next state where her killing could be legal. In this decision, the Supreme Court swept aside American jurisprudence once born of natural law, gutted the Constitution of its sanctity of life premise, and then discovered a constitutional rationale for murdering the sick and influencing the vulnerable to commit suicide—both better known as your "right to die."

The Supreme Court admitted, for all the wrong reasons, that starving patients to death was no different than removing other forms of medical treatment (after all, murder is murder), but then pronounced that "the United States Constitution would grant a competent person a constitutionally protected right to refuse lifesaving hydration and nutrition." This "sensitive" decision, as U.S. Solicitor General Kenneth Starr characterized it, condemns tens of thousands of vulnerable patients.

The case before the Court involved the Cruzan family's request to remove the feeding tube that sustains their daughter Nancy, 33, who has been unconscious for seven years since an auto accident. State hospital employees refused to starve her. A lower court finding that state and federal constitutions embody a fundamental right to refuse to withdraw "death prolonging procedures," was reversed by the Missouri Supreme Court in an outstanding ruling that still has the eutha-

nasia mob shuddering. It found that a patient's right to privacy does not allow refusal of medical treatment under every circumstance; that Missouri law embodies a strong state policy that favored preservation of life; and that Cruzan's statements that she would not want to live as a "vegetable," made a year before her accident, were "unreliable for the purpose determining her intent."

Others decide your 'right' to die

Chief Justice William Rehnquist delivered the majority opinion in which Justices Byron White, Sandra O'Connor, Antonin Scalia, and Anthony Kennedy joined. The Court sees the right to refuse treatment on the common law held "sacred" right "of every individual to the possession and control of his own person, free from all restraint or interference of others (1891)." "Every human being of adult years and sound mind has a right to determine what shall be done with his own body (1914)." The logical corollary of the doctrine of informed consent, the Court states, is the patient's "right not to consent, that is, to refuse treatment."

Quoting major court decisions that made euthanasia legal over the last 15 years, the Court details how states have demonstrated their "diversity" in dealing with right-to-die issues. It is no coincidence that the most far reaching rulings dealt initially, like the Nazi euthanasia program, with the most vulnerable patients, the ones who could not fight back. Karen Ann Quinlan's right to privacy (to refuse treatment and protect her bodily integrity) was not lost while she lay unconscious; her parents exercised it for her by having her respirator removed. In *Saikewicz*, the court reasoned that a retarded adult facing chemotherapy has the same rights to privacy and informed consent as a competent individual "because the value of human dignity extends to both." The court decided what treatment the incompetent patient *would* have wanted, using a "substituted judgment" standard.

The Supreme Court writes that in *Saikewicz*, the Massachusetts court found the state's interest in the preservation of life as "paramount and . . . greatest when an affliction was curable, 'as opposed to the State interest where . . . the issue is not whether, but when, for how long, and at what cost to

the individual [a] life may be briefly extended.’ ” In other words, life at its terminus or for the chronically ill or unconscious—is of less worth. The Court cites cases in which life-sustaining care is terminated by someone other than the incompetent patient who exercises the patient’s right to self-determination using formulations like objective standards, best interests standards, limited-objective standards, or pure objective standards. It gets worse.

Among the state statutory laws the Supreme Court feels are exemplary “resolution(s) of these issues,” is a California court’s authorization of conservators, relatives, or “*other persons*” to make life and death decisions for a patient without his prior consent. That court reasoned that “to claim that [a patient’s] ‘right to choose’ survives incompetency is a legal fiction at best,” but, the respect society accords to persons as individuals is not lost upon incompetence and is best preserved by allowing others “to make a decision that reflects [a patient’s] interests.” The California State Deputy Public Defender, aghast at the thousands of lives at risk with this statute, brought the case to the U.S. Supreme Court which refused to hear it. The patient, William Drabick, was starved to death. The Court cites rulings that allowed conservators to murder patients because it was in their “best interests”—but evidence indicates that only a liable hospital, in one case, and the state budget, in another, were served. In a New Jersey ruling, after an unconscious woman was starved to death with the court’s permission, the guardian was implicated in the suspicious deaths of his first wife and a former companion, and possibly others. With the Court’s approval of “Right to Die,” we can expect to see even greater disasters.

Liberty to die?

The Court infers that a competent person has a constitutionally protected liberty in refusing unwanted treatment from the Fourteenth Amendment’s guarantee that no state shall “deprive any person of life, liberty, or property, without due process of law.” Since these rights must be exercised *for* an incompetent patient, states like Missouri have a right to set up procedural safeguards that demand “clear and convincing” proof of a patient’s wishes expressed when competent. The U.S. Constitution does not forbid the establishment of this requirement, the Supreme Court said, since it grows out of the state’s interest in the protection of human life. “The States, indeed, all civilized nations—demonstrate their commitment to life by treating homicide as serious crime.” The Court adds, “We do not think a State is required to remain neutral in the face of an informed and voluntary decision by a physically-able adult to starve to death.”

But the Court forgoes these protections, as many states they cite allowed initial euthanasia rulings on little more than a relative’s comment that “Auntie never liked doctors” (*Conroy*), or the patient “mentioned ten years ago while watching TV that she would not want to live like a vegetable” (*Jobes*), or “my wife always had a phobia about head injur-

ies” (*McConnell*). The Court defended Missouri’s strict proof laws, because “Most states forbid oral testimony entirely in determining the wishes of parties in transactions which, while important, simply do not have the consequence that a decision to terminate a person’s life does.” An erroneous decision to withdraw life-sustaining treatment is “not susceptible of correction.” The decision to stop feeding Nancy Cruzan will be “final and irrevocable.”

In a concurring opinion, Justice O’Connor cites court decisions and pro-euthanasia diatribes from the (now defunct) President’s Commission, the American Medical Association, the Hastings Bioethics Center, and the U.S. Office of Technology Assessment’s Task force on Life-Sustaining Technologies and the Elderly, to promote the use of the Euthanasia Society’s living will, or powers of attorney in which you appoint a proxy to make or carry out your treatment decisions once you are unable. This is a horrible charade that denies any “protected” right to informed consent. Not only are the elderly manipulated and frightened into refusing treatment, patients are yanked off life-support, denied care and food, and condemned to slip deeper into coma because of willful decisions not to treat them.

Justice Scalia agrees with the majority opinion, but says “the federal courts have got no business in this field.” Justice William Brennan’s position is that it is none of the state’s business if a person wants to commit suicide, while Justice John Paul Stephens says the “choices about death touch the core of liberty,” and are best left up to individual conscience. Scalia says the states have the power to prevent or prohibit suicides even by force, including suicide by refusing critical treatment—but they are also free to permit them! “Starving oneself to death,” he adds, “is no different from putting a gun to one’s temple as far as common-law definition of suicide is concerned.” Scalia says he does not mean to suggest, however, that “I would think it desirable, if we were sure that Nancy Cruzan wanted to die, to keep her alive by the means at issue here. I only assert that the Constitution has nothing to say on the issue. . . . The Court . . . has no authority to inject itself into every field of human activity where irrationality and oppression may theoretically occur.”

Justice Brennan’s dissent, with Justices Thurgood Marshall and Harry Blackmun, and Justice Stephens’s separate dissent, differ from the majority ruling only in the degree of cold-blooded abhorrence of natural law—of man’s capacity to surmount, through progress, nature’s limits on life. Both dissents slam the majority variously for not making euthanasia a fundamental civil right or for not giving young, injured children a way to assure against unwanted treatment. Both assert patients should be allowed to be killed if families would prefer pleasant memories of his or her better days—and not of their “degraded” state—as though the dignity of man and the good he contributes is physically posited in a leg or breast or consciousness. Even in illness, our patients call upon us to produce a greater good, a cure, and to fight for life.

Mandela raises funds, hopes in New York

by Dennis Speed

Nelson Mandela's June 20-22 fundraising trip to New York City provided a respite from almost two years of seemingly unending racial confrontation. Murders of blacks in Howard Beach, Queens, and Bensonhurst, Brooklyn, along with black-Asian and other "ethnic" disputes, provided the conditions under which New Yorkers took the opportunity of Mandela's visit—despite virulent disagreement with much of his politics—to reassert their own faith in humanity.

Despite media hype, very few New Yorkers have an appreciation of the politics of the African National Congress (ANC). Many don't know, for example, that the ANC is purported to receive \$200 million per year from foreign financial sources, including intelligence services. At the June 21 Yankee Stadium rally attended by 50,000 people, when Winnie Mandela cried "Amandla!"—the Zulu word for power—as a greeting, people responded with "A-Mandela," "Awanda," and "Amanda," prompting one confused policeman to ask, "Who is this Amanda, anyway?"

Winnie Mandela was forced, at different points, to back away from a 1986 statement in which she supported "necklacing," the practice of setting afire alleged black police informers by tying a tire filled with kerosene around their necks. "With our boxes of matches and necklaces, we shall liberate this country," she allegedly stated. Nonetheless, she invited 2,000 supporters at the Brooklyn Academy of Music, "If talks fall apart—as they very well may do—we know that you will be there to take up arms."

'Something wicked this way comes'

A more important, and ominous, issue was touched upon in a June 22 meeting between Mandela and 280 business leaders at the World Trade Center. The president of the Rockefeller Foundation, Peter Goldmark, according to the Newark, New Jersey, *Sunday Star Ledger*, "asked Mandela how he would receive the idea of an international development bank, that theoretically would have no government or political affiliations"; the *New York Times* characterized the proposal as a "South African Development Bank." Both formulations appeared to be delphic misrepresentations of proposals originating with Lyndon H. LaRouche in 1975 and 1977, respectively.

In 1976, the Hon. Frederick Wills, then-foreign minister of Guyana and a leading opponent of apartheid, presented precisely this proposal to the U.N. LaRouche and the German bankers Jürgen Ponto and Hanns-Martin Schleyer, both of

whom were assassinated by Baader Meinhof terrorists, were targeted by the Anglo-Soviet establishment for advocating such ideas for the industrialization of southern Africa and the continent.

On June 22, political prisoner LaRouche commented, "I am extremely happy that Nelson Mandela is free and that he has been received as well as he has in the United States. He deserves it. . . . I don't like his present sanctions program, for a very simple reason, with which I think he, on reflection, would agree. I'm not concerned *only* with South African blacks; I'm concerned with over 400 million blacks throughout Africa, who are threatened with, and actually undergoing, genocide, under the influence of policies, which were set into motion by the famous mass-murderer, Robert Strange McNamara, when he was at the World Bank; Henry Kissinger, and other malthusians, who prefer Africa to be populated by wild game animals, rather than human beings."

Mandela met precisely such "genocide merchants," such as the Rockefeller Foundation, which tour organizers termed "perhaps the most important single stop." Mandela, referring to Goldmark's proposal, stated: "If we have sufficient resources from that institution, it is not necessary for us to look at any other option." This resembles the superpower "regional matters agreement."

Mandela asked for money in every speech. At a fundraiser held at the house of "movie-mafia" mogul Arthur Krim, and at the TriBeCa film center, owned by actor Robert DeNiro, Mandela raised \$200,000 and \$600,000 in *tax deductible* contributions to the ANC. Krim, who in the 1960s was a "handler" of U.N. delegates from the newly independent African states, worked the "old-money crowd"; DeNiro worked the "snowflake stable"—the rock-drug celebrity set. The *New York Times* reported: "Organizers did not dispute that many might have contributed more out of fresh emotion at Mr. Mandela's release, than from political commitment." (It may chagrin Mandela's "radical chic" contributors if the disturbing rumor that the ANC move from Lusaka, Zambia, to Johannesburg, South Africa, was financed with \$20 million from Tiny Rowland, the largest foreign investor and worst wage-payer in South Africa, were verified.)

Mandela remoralized New Yorkers, who were moved by a man who had seemingly come "back from the dead" and triumphed over the moral obscenity of apartheid. The Rev. Percival Brown of Grace Episcopal Church in Queens stated: Mandela "is a symbol of victory, overcoming insurmountable odds for all people who wonder whether they will ever win a battle." A woman from the Bronx stated: "He has taught us to stand up for what you believe in, and if you have to put up your fist and fight, then don't be afraid." If New Yorkers, faced with deep urban crisis, take that lesson from the visit, so much the better. But, as LaRouche once stated, "The content of policy is the method by which it is made." Will the Anglo-American Establishment refurbish malthusianism in black-face in South Africa, using Mandela's popularity?

Strike force demands that LaRouche not leave jail alive

The Get LaRouche strike force, over the signature of Assistant U.S. Attorney Kent Robinson, filed a memorandum in June with the U.S. Parole Commission demanding in effect that Lyndon LaRouche not leave jail alive.

Robinson also demanded that LaRouche's co-defendants, William Wertz and Edward Spannaus, be given the latest possible release date from prison and no parole.

LaRouche was told before his December 1988 conspiracy conviction, by representatives of the highest levels of the Anglo-American Establishment, that they had rigged his conviction all the way up through the Supreme Court, and that he would spend at least 10 years in prison and not come out alive. The 15-year sentence imposed by Judge Bryan in January 1989 was calculated precisely on that basis.

In fact, on June 11, the U.S. Supreme Court decided not to even hear the appeal of LaRouche and his fellow appellants, filed by a team of lawyers led by former U.S. Attorney General Ramsey Clark. LaRouche's frameup conviction has drawn international outrage, particularly in Europe and Latin America, for the blatant way in the defendants' constitutional rights were trampled, a story recorded in the book *Railroad!* and most recently brought to the attention of the Conference on Security and Cooperation in Europe, the "Helsinki" commission (see *EIR*, June 29, 1990, p. 38).

President Bush could still order the release of exculpatory evidence, suppressed in the railroad trial of 1988, that would prove the total innocence of LaRouche and his associates.

ADL imprint

The Robinson memorandum, 22 pages of lies and venom, bears the unmistakable stamp of the Anti-Defamation League of B'nai B'rith. Its appearance in this form coincides with the fact that the ADL's role in the frameup of LaRouche and his associates was smoked out in court hearings in Roanoke, Virginia, this past spring. Once the ADL was exposed in Roanoke, it became necessary for the ADL to cover its tracks by getting the U.S. *government* to tell the Parole Commission what the ADL wanted to say, to make sure LaRouche is kept incarcerated.

The Robinson memorandum exposes the fact that the warnings LaRouche received before his conviction were true and is proof that George Bush has given the ADL a "lettre de cache" to make sure LaRouche never gets out of jail alive.

The memorandum spends 20 pages recounting the ADL lies that LaRouche fundraisers illegally target the elderly. Robinson then lies about the subsequent Virginia state prosecutions of LaRouche's associates, and asks the Parole Commission to consider civil suits by contributors Yoder and Overington, featured on a recent NBC national television broadcast attacking LaRouche, as part of the same conspiracy for which the defendants were convicted.

The memo states that two firms named as principal borrowing agencies in the "loan conspiracy" for which LaRouche and associates were convicted, were forced into bankruptcy, but omits to say that a federal bankruptcy judge, Martin v.B. Hostetter, ruled in October 1989 that the U.S. government acted in bad faith in filing the bankruptcy initiative in violation of its legal requirements for doing so.

"This appears to be a case where the criminal prosecution served not as a deterrent to committing further crimes, but rather as an educational tool on how to commit crimes more effectively," Robinson writes, in blatant disregard of the facts.

"This is not a typical crime and these are not typical defendants," the memo goes on, betraying the Task Force view that further political activity is the real "crime" for which LaRouche and his associates have been jailed.

'No contrition'

Robinson continues, "None of the defendants have ever admitted to any wrong doing. None have showed contrition or remorse. On the contrary, they have aggressively contended that they are the victims of a political vendetta (a claim repeatedly rejected by the courts). None have taken any steps to stem the bloodletting represented by the continuing frauds of their subordinates Billington and Asher. They simply do not regard themselves as bound by the same laws as the rest of us.

"This case . . . establishes to a moral certainty that the defendants will break the law again. The contempt for humanity they have shown has not changed. Their belief that their need for money overrides the interest of individuals in their own property has not changed. It is just a question of who, and when they will rob again . . . this case presents extraordinary circumstances calling for the Commission to arrive at a release date outside the guidelines.

"Whatever range the Commission employs, the release date arrived at should be at the highest end of the applicable range. Society has the right to be protected from these defendants. Their sentence has not served its deterrent effect until the defendants and the organization they control stops stealing, and until they acknowledge that they have done wrong. They have not shown themselves entitled to reenter society."

Americans reject Bush defense plan

by Leo F. Scanlon

Despite years of anti-defense propaganda from the White House, Congress, and the news media, a recently released poll confirms that over 80% of Americans believe that current defense spending is either "just about right" or "not strong enough." Perhaps to the surprise of the pollsters, only 8% of those polled said that the United States should cut its military presence in Europe at this time, and 90% said that the U.S. should either "wait and see" about the outcome of the promised Soviet reforms, or should simply "rule out cuts all together."

The poll results, reported by Paul Nisbet, a senior analyst with Prudential Bache, contradict all the pundits who have been fraudulently reporting that a wave of isolationism is sweeping the U.S. in the wake of Gorbachov's reforms and the political upheaval in Eastern Europe. More fundamentally, the polls reveal the lack popular support for Bush administration policies, which other polls have been manipulated to conceal.

Opinion research organizations showed similar attitudes in the period before the last two summits, illustrating that the administration's "Gorbymania" has not been echoed by the citizens. Now that the Bush administration has admitted that the mass layoffs and economic devastation wrought by the first round of defense cuts will be followed by deeper reductions *and higher taxes*, the stage is set for the Congress to walk into a political buzzsaw during the upcoming campaign period.

Budget cuts presage economic crisis

The cycle of defense budget cuts followed by further demands for overall budget savings is beginning to look like a runaway train, despite administration efforts to maintain the facade of control over the process.

On June 19, Defense Secretary Richard Cheney made public the contents of a study done for the White House-Congress budget summit, which illustrated the effects of different levels of defense budget cuts proposed by the summitters. The administration proposal, aimed at savings of 10%, would cut 10 Army divisions, five strategic bomber squadrons, two aircraft carriers and associated battle groups, 11 Air Force wings, two Navy air wings, 50% of the Minuteman missiles, almost 20% of Poseidon-Trident missiles, nearly 25% of total naval vessels, some 442,000 active duty military personnel, and 260,000 from the Guard and Reserves. This represents a drop in force structure of 25%.

Cheney told the horror story in the hopes of holding off Senate budget cuts which would produce a 35% cut in forces, and a draconian policy proposed by the House Armed Services Committee which would cut forces by 50%, requiring the military to close one-third to half of all military bases worldwide. No sooner had Cheney presented his "worst case scenario" than the President announced a new round of tax hikes and budget cuts.

The cuts endorsed by the House and Senate Budget Committees have unleashed an economic crisis in the defense industry. The situation has become so severe that the Air Force has begun pointing to the precarious financial position of McDonnell Douglas, prime contractor on the C-17 transport, to illustrate the danger of the present course. The plans to cut production of the C-17 ignore the fact that McDonnell Douglas is over \$1.5 billion in debt, partly because of its \$400 million investment in the program, according to Air Force acquisition chief Maj. Gen. Steve Croker. He told the Senate Armed Services Committee that eliminating the 1991 purchase of the C-17 would "drive McDonnell Douglas to make those same dollars on fewer aircraft to repay those loans, perhaps increasing the aircraft's cost."

In fact, McDonnell Douglas has already begun a shut-down of its St. Louis operations in order to improve "profitability" and assuage its creditors. The layoffs, which could reach more than 7,000 in St. Louis alone, will push the unemployment in the metropolitan area above 6% according to Missouri officials, and studies indicate that about 80,000 jobs in Missouri ultimately could be at risk from budget cuts currently planned.

The devastation caused by this approach to the economy is being repeated in dozens of areas around the country, as small engineering shops and manufacturing facilities are shutting down production lines built to supply the major weapons producers. This in turn drives up the cost of every nut and bolt in every weapons system, and scatters to the wind the teams of engineers and skilled workers essential to maintain production. In short, the Bush budget is destabilizing the infrastructure of the manufacturing sector of the American economy.

The folly of attempting to run the Defense Department on the basis of a collapsing economic base has provoked chaos in the office of the Secretary of Defense. Cheney has attempted to rationalize the cuts by conducting "reviews" which allegedly balance budget considerations against strategic military needs. One plan for cutbacks in acquisition of major aircraft systems was publicly mocked by a leak which exposed the fact that the Navy had withheld significant factual information bearing on the potential costs of their advanced fighter program.

The C-17 cuts are based on a similar "review" which justifies reduced need for strategic lift capabilities. According to a staffer in the Office of the Secretary, the only analysis offered to support the cuts was "just a bunch vu-graphs."

Dr. K, Bilderbergers, push George's tax hike

When the powerful Bilderberg group met in secret in Glen Cove, Long Island, one item that was high on the agenda was to push through a tax hike of the sort that President George Bush has just signaled he would accept. Prominent among those attending the three-day confab, which started on May 9, was Dr. Henry Kissinger, who is also a member of the executive committee of David Rockefeller's Trilateral Commission.

Sources who penetrated the inner-sanctum of the meeting say that demands for "George" to repudiate his campaign pledge not to raise taxes was on everybody's lips. It now appears that "George" has bowed, puckered up, and kissed the Bilderbergers in an appropriate spot. The Bilderbergers knew that "George" would not refuse. After all, as a former Trilateral, "George" has always been a "kissing cousin" of the Bilderbergers.

It seems, from the internal comments at the Bilderberg meeting, "George" just had to play "hard to get." Said one Bilderberger to another: "I tell you, we do not have to worry about George, either on the environmental project or the tax issue; he will do all he can in his own way." The problem, he said, is that "domestic politics" would require "George" to do "certain things" but, he stressed: "It will all come out all right—you'll see."

As *EIR* previously reported, the main item on the agenda of the earlier, April 21-23 meeting of the Trilateral Commission behind closed doors in Washington, D.C., had been how to push through the Clean Air Act—something that the "Trilateraloids" know will shut down much of the remaining U.S. industry and agriculture. Sources inside the Bilderberg

meeting report that eco-fascism was also on their agenda.

One Bilderberger was overheard saying:

"George will do all right on the environment—he has to buck a bit now for the sake of the right wing. Whether the money comes through the World Bank or otherwise, the United States will pay its share. . . .

"About a world war for the environment, George will have to do some grandstanding about U.S. spending money right now. And you know why, don't you?

"Yes, he is going to raise taxes in some way—something we have wanted for a long time. He will have enough problems from the right on that. We've gotten the word on that."

Bleeding U.S. taxpayers for the IMF

Another issue dear to Dr. K's heart and that of his piggybank, David Rockefeller, was very much on the agenda at the Bilderberg meet, namely hiking the tab world governments pay the International Monetary Fund (IMF). One day before the meeting—an unlikely coincidence—the IMF announced it would raise quotas on member-nations by 50%, which means a \$12 billion increase in payments by U.S. taxpayers.

As every Ibero-American can tell you, it is not just the American taxpayer who suffers from IMF levies. The IMF's austerity dictatorship has caused negative growth rates in the Third World, inflicting genocide beyond Adolf Hitler's wildest dreams, while similar adherence to IMF conditionalities may shortly topple the Solidarnosc government in Poland.

As *EIR* has elsewhere reported, it is Fat Larry Eagleburger, Dr. K's

gangster companion, who is forcing IMF-style austerity upon Eastern Europe through his new post as Bush's Coordinator for Eastern European Affairs. Unless these emerging democracies accept "Adam Smith free market" programs that have destroyed Ibero-America and Africa, Fat Larry refuses to give them a dime to buildup their economies.

Sources close to David Rockefeller have told *EIR* that Dr. K's piggybank is using his post as chairman of the Council of the Americas to peddle this increase in IMF quotas. Thus, David appeared before a May 23 meeting of the Joint Economic Committee of Congress to peddle the Bilderberg plan, giving a speech that was pre-approved by "George."

Royal summons nets Bush officials

The Bilderbergers had plenty of opportunity to push their tax hike scheme upon a bashful Bush administration. Among those office holders whom the Bilderbergers summoned to Glen Cove were: Vice President Dan Quayle; Secretary of Defense "Dick" Cheney; White House Chief of Staff John Sununu; and, to create "bipartisan consensus," Speaker of the House Thomas Foley (D-Wash.), who had also attended the Trilateral Commission meet.

The Bilderbergers, who draw together European royalty with the American Establishment, politely threatened that should "George" fail to follow their agenda on taxes, the environment, and the IMF quota increase, then the meeting of the Group of Seven would "chastise" the U.S., blaming world economic problems on its failure to raise taxes and to reduce the budget.

Banking Committee meets in Houston on S&Ls

The House Banking Committee held a hearing on the S&L crisis in Houston, Texas, an area which has been hard hit by that crisis.

Committee chairman Henry B. Gonzalez (D-Tex.) warned that the tentative steps taken in Texas toward recovery were threatened by the S&L crisis. Although praising Bush for addressing the S&L crisis in his inaugural address, Gonzalez said that the Resolution Trust Corp., which was set up to deal with the crisis, was "creeping along like a dime-store operation." "The sense of national urgency just hasn't been there," said Gonzalez.

Democratic gubernatorial candidate Ann Richards noted that many of the "bad loans" supposedly made by S&Ls were not bad at all. Richards said the "system is causing the problem. . . . It is a process gone crazy."

Flag amendment killed in both chambers

The Senate followed the House on June 26 in rejecting by a 58-42 vote a proposed constitutional amendment that would have allowed Congress and state legislatures to ban desecration of the American flag. The vote fell nine short of the two-thirds necessary for approval. Twenty Democrats joined 38 Republicans in voting for the amendment, while 7 Republicans voted with 35 Democrats against it.

Although the House rejection of the amendment a week earlier virtually doomed it, Senate Minority Leader Robert Dole (R-Kans.) pushed for a vote in the Senate in order to get senators on record on the issue. The Republicans hope to use the vote as an issue in the upcoming congressional

elections. "We will take a meaningless vote," commented Sen. Howard Metzenbaum (D-Ohio), "so that some campaign operatives can try to bludgeon senators who are willing to stand up for the Bill of Rights and vote against this amendment."

Many senators were concerned that playing fast and loose with the amendment process could lead to further attempts to amend the Constitution on relatively frivolous issues.

The amendment came in the wake of a Supreme Court decision declaring unconstitutional a congressional statute which made flag burning illegal.

Schroeder calls for bringing troops home

Rep. Pat Schroeder (D-Colo.), a member of the House Armed Services Committee, has proposed cutting U.S. troops abroad fewer than 20,000 worldwide. Present U.S. military commitments involve an out-of-country deployment of 400,000 American military personnel, with over 300,000 of these deployed in West Germany.

In a *Washington Post* commentary published on June 24, Schroeder claimed that with "dual-basing," which means having the logistical backup for the troops provided for by the basing country, U.S. troop commitments could be reduced to one-twentieth of present commitments!

Schroeder assumes that countries like West Germany can cough up the money to provide for these bases, since they are "now willing to pony up \$450 million for interim stationing of Soviet troops in East Germany."

The ugly necessity the West German government is faced with, of having to "buy" permission for German reunification, is used by the Colorado

Democrat as a bludgeon to force the West Germans to provide that which the U.S. no longer deems a necessity. At the end of a long war, which cost the U.S. a great deal of money and lives, it was deemed feasible to maintain military commitments so as not to have to fight another war. If Schroeder has her way and the U.S. reneges on that commitment, in a world filled with a great deal of uncertainty precisely because of the enormous changes in the Soviet bloc, the costs of this neo-isolationism may be much greater than even Pat Schroeder is prepared to pay.

Housing bill passes despite Bush's objections

The Senate passed on June 27, in an overwhelming 96-1 vote, a \$17.6 billion housing bill, which is intended to combat homelessness and move low- and moderate-income Americans into home ownership. The White House had threatened to veto the bill, which was \$4 billion more than President Bush had requested.

A bill pending in the House requests \$28 billion for a federal housing program.

Secretary of Housing and Urban Development Jack Kemp argued that allowing states and local governments to directly finance new construction and rehabilitation, which the bill mandates, could lead to the same kinds of fraud and abuse within HUD programs that are now being investigated by Congress.

The Senate voted on the housing bill the same day President Bush reneged on his "no new taxes" pledge. By publicly backing off on his election promise, President Bush hopes that the Congress will be forced to gouge spending on social programs

even more than it would otherwise be prepared to do. The actual amount of money that will be spent on housing programs will, however, not be decided until Congress begins dealing with appropriations bills later in the session. At that point, the money authorized by the Senate could be significantly gouged, in an environment heated by budget deficit hysteria.

House ethics panel stalls on Frank case

The House Ethics Committee has postponed until after Congress's July 4 recess a meeting to conclude its investigation of allegations against Rep. Barney Frank (D-Mass.).

The panel had been scheduled to meet on June 26 and was expected to rule on a split vote that the Massachusetts Democrat be given a mild written rebuke. Committee sources indicate that they will admonish him on two issues related to the probe—the fixing of traffic tickets while Steve Gobie, a male prostitute, was serving as a personal aide to Frank, and the sending of letters on congressional letterhead to court officers supervising Gobie's probation on several felony charges.

Frank, a homosexual, admitted hiring Gobie as a personal aide, but denied Gobie's allegations that he knew Gobie was running a prostitution service out of Frank's Capitol Hill apartment.

Dems demand tougher action against 'S&L crooks'

Rep. Frank Annunzio (D-Ill.) showed that he belongs to one of the more foolish and suicidal species of Democrats, when he on June 26 criticized the Justice Department for what he

said was "its lackluster performance in prosecuting the savings and loan crooks."

"These people are thieves, and the American people want to see them behind bars," said Annunzio.

Many of the S&L executives, following the outlines of the liberalized legislation allowing S&Ls to get involved in high-risk real estate speculation, are being scapegoated for the monstrous boondoggle which the thrift industry has become. A good many thrift owners have also been strong backers of Democratic political candidates, thus setting up Democratic politicians as part of the S&L "sleaze."

In the latest move by Attorney General Richard Thornburgh's "sweep" operation, Hal Greenwood, a Minnesota fundraiser for Democratic Gov. Rudy Perpich and the former head of Midwest Savings and Loan, was charged in a 40-count indictment for S&L fraud. Perpich called the indictment a political move by the Republican administration against him and his backers.

Anger rises over NASA budget cuts

Republican congressmen expressed their dismay over the cuts made by the House in the NASA budget. On June 21, Rep. Robert Walker (R-Pa.), the ranking minority member of the House Committee on Science, Space, and Technology, and House Republican Whip Newt Gingrich (R-Ga.) held a press conference criticizing the subcommittee's cuts in the space exploration program.

The Congressmen derided their Democratic colleagues who "for years . . . have been deriding the lack of a goal in the U.S. space program."

"Now when the President has presented us with a clear set of challenges," they said, "these same people suddenly decide that we cannot afford to rise to those challenges." Walker proposed instead across-the-board cuts in the other NASA programs in order to restore a portion of the exploration funds!

Chinese activist urges against MFN status

In hearings before the Senate Finance Committee on June 20, Chinese activist Feng Congde said that the United States should not extend Most Favored Nation status to the People's Republic of China. Feng is a member of the advisory committee of the Independent Federation of Chinese Students and Scholars, and husband of Chai Ling, the famous leader of the Tiananmen Square revolt.

"Extending MFN status at this time," said Feng, "would not only harm the already deplorable human rights situation in China, but would also represent a serious blow to reformist and progressive elements in China today. . . . Because of the importance China attaches to MFN status, an unconditional renewal of MFN status, as the President has proposed, would send the same message to Beijing as National Security Adviser Scowcroft's visit last December sent. Worse, it would signal the abandonment of those who languish in punitive detention."

Feng noted that the Chinese leadership is still "detaining tens of thousands of non-violent pro-democracy prisoners, refuses to allow free emigration, maintains a de facto martial law over Chinese students in the U.S., persecutes religious groups, and harasses Chinese students in the U.S."

National News

NAWAPA covered as solution to drought

The idea for a North American Water and Power Alliance, to bring half-again as much water from Canada and Alaska as is currently used by the lower 48 states, was covered front page by the June 21 *Los Angeles Times*.

NAWAPA, designed by the Ralph W. Parsons Co. and backed by Lyndon LaRouche and his associates, could supply the water needs of the western portion of North America "for at least the next hundred years," according to Nathan W. Snyder, director of technology for the Parsons Co.

The *Times* reports that Parsons is starting once again to lobby in Washington for the project, which was designed nearly 30 years ago.

Marchetti attacks ADL, organized crime links

New American View, a fortnightly newsletter published by Victor Marchetti, attacked the Anti-Defamation League in its June 15 issue in an article entitled "Anatomy of a Nightmare — The ADL Has Grown to Frightening Proportions."

The article reviews much of the material first published by *EIR* on the ADL's links to the Meyer Lansky organized crime empire and its current links to international drug-money laundering.

The newsletter reports that former ADL national chairman — now honorary chairman — Kenneth Bialkin, "is one of the most powerful attorneys in America today — and probably one of the most corrupt." "Today, Bialkin is a senior partner in the world's largest law firm, Skadden Arps, which was deeply involved in the looting of the American stock market and savings and loan industry. . . . Some of these schemes . . . are believed to have been cover for the laundering of drug money.

"The ADL's vast power in American politics and society today is grounded in the wealth and influence of its leadership and

the police-like operations of its professional staff. The staff is organized along the classic lines of a secret intelligence service, bearing a remarkable resemblance to the CIA — from which the ADL has recruited some of its members. . . . The ADL's clandestine arm is euphemistically known as the Fact Finding Department. It is this component which operates the ADL stable of secret agents — informants, infiltrators, instigators, et al. In a number of instances over the past 20 years, the ADL has been implicated (although never prosecuted) in murders, provocation of riots, bombings and other serious crimes," the newsletter read.

Corporations giving millions to greens

In an exposé on May 7, *Legal Times*, a Washington newsletter, reports that major corporations are giving millions of dollars to environmental groups to set a profitable agenda for themselves.

According to *Legal Times*, Dean Buntrock, head of Waste Management, Inc., has given over \$1 million over the past three years to environmental groups, including \$135,000 to the National Audubon Society "to support lobbying for more stringent regulation of industrial wastes," and \$117,500 to the National Wildlife Federation "to investigate the potential for strengthening pollution control laws in Latin America."

In exchange for contributions to the National Wildlife Federation, NWF head Jay Hair has lobbied for legislation that would benefit the corporation, and set up private meetings between Buntrock and EPA head William Reilly. Following one of these meetings, the EPA intervened in a North Carolina court on behalf of Waste Management.

S&L suit first test of illegal takeover

An upcoming trial in Topeka, Kansas, in a suit brought by Franklin Savings and Loan, will provide the first opportunity for a major

S&L to challenge government actions in the illegal takeover of the thrift industry.

The suit is against the actions of Office of Thrift Supervision regulators who moved against Franklin on the basis of OTS "predictions" that it would fail within a year. The bank has been transformed into a large operation dealing in junk bonds and futures contracts — all according to rules set out by Congress — and continues to have a positive net worth despite the legal and administrative costs imposed by the government seizure.

Franklin chairman Ernest M. Fleischman, a tax lawyer and financial "whiz kid," claims that he simply succeeded at what deregulation demanded, and the government shut him down anyway. Franklin is the second largest institution owned by the RTC, and is five times larger than Charles Keating's Lincoln Savings and Loan.

Europe asks U.S. for death penalty stay

A resolution passed by the European Parliament on May 17 appealed to the United States to halt the use of the death penalty, and specifically asked Virginia Gov. Douglas Wilder to reopen the case against Joseph M. Giarratano.

The resolution states that Giarratano "has been on 'death-row' in Virginia since 1979, was condemned to death on the basis of very controversial testimony," and called upon "the Governor of Virginia, L. Douglas Wilder, to ensure that the case of Joseph M. Giarratano is reopened and that the fresh evidence is assessed in open court in order to avoid the possibility of executing an innocent man."

The resolution also refers to the death sentence imposed on Dalton Prejean in Louisiana, "a 30-year-old black U.S. citizen, who was sentenced in May 1978 for the murder of a white policeman." It notes "that evidence to the effect that Prejean had suffered brain damage, was borderline mentally retarded and under the influence of alcohol and drugs at the time of the murder was not present at the sentencing hearing." Stressing that the Louisiana Board of Pardons and Paroles has recommended that his

sentence be commuted to life imprisonment, the resolution appeals "to the Governor of Louisiana to commute the death sentence."

The resolution also calls "on the various States of the Union in which capital punishment is still used to review their legislation with a view to abolishing the death penalty."

Silverado closure hung on Bush election

Kermit Mowbray, the former president of the Federal Home Loan Bank of Topeka, Kansas, testified before the House Banking Committee June 19 that officials in Washington ordered him to delay closing the bankrupt Silverado Savings and Loan until after the 1988 election in which George Bush won the presidency, the *Washington Post* reported.

Mowbray testified that on Oct. 21, 1988, the Colorado thrift commissioner informed him that the state-chartered thrift would be closed by the end of the month. He relayed the information to Washington; three days later, on Oct. 24, 1988, unnamed officials in Washington asked that the closing be delayed for two months, he testified. The politically motivated delay added substantially to the cost of salvaging the thrift.

Bush's son Neil Bush sat on the board of Silverado, but federal regulators also reportedly delayed closing the bankrupt First Republic Bank Corp. of Texas until after the Texas primary in 1988 to avoid embarrassing George Bush.

Supreme Court rules opinion can be libelous

The Supreme Court ruled June 21 that opinion can be libelous. The majority opinion was written by Chief Justice William H. Rehnquist. It said several lower courts have been wrong when they assumed that statements of opinion were automatically shielded from libel suits and ruled that expressions of opinion can be the subject of libel suits if they contain "false and defamatory" facts.

In another decision June 21, the Court ruled 6-3 that evidence seized by police who search a home without a warrant can be used at trial if the police were admitted by someone they reasonably believed had the authority to consent to the search—even if it turns out later that they were wrong.

In another case, the Court ruling hit the political patronage system, ruling 5-4 that the Constitution forbids use of partisan considerations as the basis for hiring, promoting, or transferring most public employees. Many believe that the ruling will be used to break any independent political machine that would be considered unfriendly by the unfolding administrative police state.

Bush policy is to end timber industry

Bush administration policy is "the elimination of the timber industry," Bill Dennison, the president of the California Timber Association, charged in a statement released following the administration's June 22 ruling that the spotted owl is a "threatened" species.

Speaking for the industry, Dennison declared that "7.1 million acres of productive forest land in Northwestern California and the Sierras face total shutdown on July 23" unless Interior Secretary Manuel Lujan and Agriculture Secretary Clayton Yeutter reject the ban on timbering proposed to "protect" a bird that has thrived during more than a century of timber harvesting. "If the worst case plan is put into place by the U.S. government, 111,000 could be unemployed" in California alone, he said.

"Our only chance to stop this is to make the decision makers inside the Washington, D.C. Beltway understand that real people are going to suffer for their reluctance to stand up to the truth. . . . The Endangered Species Act was not meant to be the California Rural Poverty Act of 1990."

Dennison warned that "if politically inclined bureaucrats seek to bend the Endangered Species Act to serve other ends, specifically the elimination of the timber industry, then either the law has to be tightened, or new people need to be brought in to administer the act."

Briefly

● **IN AN ADL** move for gun control, Edward Weidenfeld, vice chairman of the Anti-Defamation League's Washington Affairs Committee, said June 5 that "Jewish security concerns are best served by making firearms more difficult for extremists to obtain, rather than by encouraging their proliferation among the general population."

● **GEN. MANUEL NORIEGA** can pay his lawyers after U.S. prosecutors agreed to unfreeze up to \$6 million in funds in European banks. Their alternative, to prove that all Noriega's funds were drug monies, would have revealed U.S. government payments to Noriega.

● **JESSE JACKSON** "must have a magnetic attraction for the camera" because he pops up for every media event, Tony Kornheiser wrote in the June 24 *Washington Post* in a spoof on Jackson's ego, "No matter who's making news, Jesse is right there at his side. . . . You can't crop him out of the photo."

● **USDA DAIRY** analysis section head Charles Shaw said we should "kick the dairy farmer out of business," the June 22 *Pennsylvania Coatesville Record* reported. The paper called Shaw's remarks "obscene, a perversion of the spirit of America. . . . The small farmer was the backbone around which America was built."

● **THE BISHOP** Msgr. John J. Fitzpatrick, Brownsville, Texas, has charged that his diocese "is part of the Third World," with some communities so poor that they don't have running water and some with up to 95% of their citizens carrying hepatitis.

● **WILLIAM SAFIRE** suggests breaking up the U.S. in a commentary in the June 25 *New York Times*. The U.S.A. is really three countries, Safire claims: the Northeast corridor; the "Confederacy Plus" including California; and "God's Country," the Great Plains and upper Middle West stretching to the Northwest.

Mideast war alert

There are increasing indications of a buildup of tensions in the Mideast, despite Israeli disclaimers to the contrary. Breaking a six-year policy of refusing to talk to the United States, Iraqi President Saddam Hussein told the *Wall Street Journal* of June 28 that such a war is inevitable unless the U.S. blocks Israel's thrust against the Palestinians.

The context of the interview was the formation of a new hardline government in Israel, combined with U.S. moves to break off talks with the Palestinians.

In a similar interview the week before, Jordan's King Hussein compared the current escalation to the tensions which developed right before the 1967 Arab-Israeli war. The stated policy of the new Israeli government, to make the absorption of hundreds of thousands of Soviet immigrants the top national priority, has not helped the situation. More than 10,000 Soviet Jews are arriving in Israel each month, which makes Housing Minister Ariel Sharon's assurances that Israel does not intend to immediately move them into the occupied territories less than credible (considering his generally aggressive attitude on the subject).

The official view of the Bush administration is that while war is neither imminent nor inevitable, the situation is deteriorating. Sources close to the administration, however, report that Israel is preparing for a Middle East war, which it is likely to start with a "preemptive" raid on Iraq.

It is rumored that financing for this—to the amount of \$25 billion—will come through drug money-laundering and other dirty operations by people like Ivan Boesky and Michael Milken. According to this account, the plea bargain agreements struck by Attorney General Richard Thornburgh with these two characters effectively shut down an ongoing investigation into the magnitude and whereabouts of those funds.

Despite the word circulating around Washington that the Bush administration has a plan to help install Yitzhak Rabin as head of the Labor Party and then as prime minister, replacing the Shamir-Sharon hardline

government, a deal in fact exists between Rabin and the Likudniks to establish a national unity war government, with Rabin participating in a major capacity. This will be the government that launches the Mideast war.

This scenario is highly credible, with one proviso: If such a war does occur, it will fall within the game plan of Anglo-American/Soviet condominium politics; it is entirely coherent with the recent escalation on the environmentalist front. A war in the Middle East means an oil shortage and energy crisis. This will drive up oil prices and will put the Europeans and the Japanese in the position of having to go to the Soviets for secured oil deliveries.

Mideast wars are never as they seem. We know from past experience, that the Israelis usually call upon the Syrians for cooperation when they wish a provocation for a military adventure. This time, an Arab-Israeli war has already been prediscouted by the Anglo-Americans, some of whom support it, wish it. This is also known to the Soviets, among others.

A war today in the Mideast would have a profound cultural, as well as economic effect—particularly if nuclear or chemical weapons were used. It would tend to heighten the mood of cultural despair upon which "eco-paganism" is now feeding. Cults such as Gaia, which say that the Earth Mother must be served with blood, not to speak of the more outspoken Earth First!ers, who wish to see the world's population reduced to half a billion, would welcome a Mideast war. And of course, such a catastrophe would place a serious obstacle in the way of present German plans for economic development.

This is a war which should not be allowed to happen. To stop it, means that those forces who recognize that their interests run counter to the Anglo-American game plan for the Aquarian Age, must stop playing by the rules of the condominium. The failure of any Western leader to recognize free Lithuania was a disastrous capitulation to condominium politics. Such a failure of nerve must not happen again.

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SATANISM

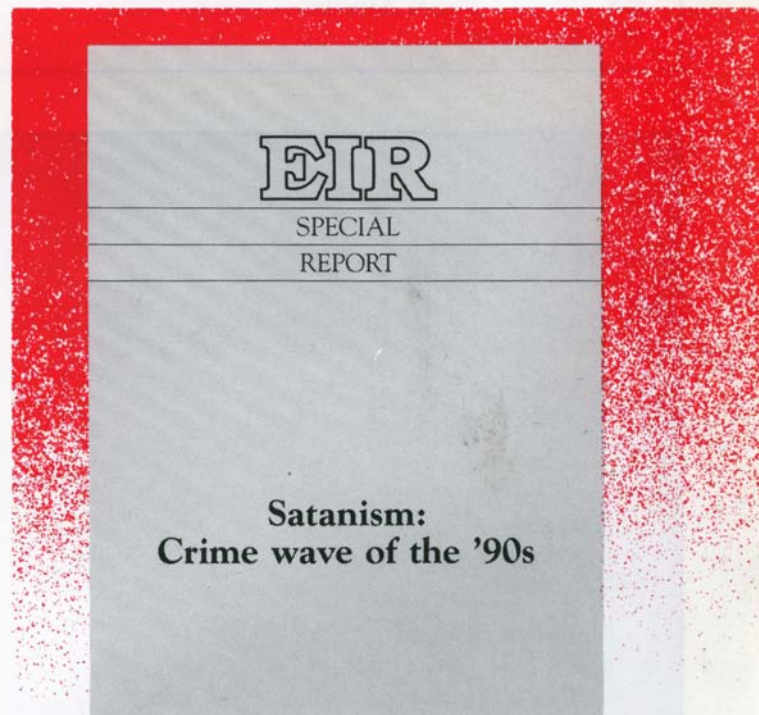
Crime Wave of the '90s

Who is right?

New York Archbishop Cardinal John O'Connor has denounced heavy metal rock as "a help to the devil" and said that "diabolically instigated violence is on the rise." (March 4, 1990)

But the Federal Bureau of Investigation's expert, Kenneth Lanning, claims: "Far more crime and child abuse has been committed in the name of God, Jesus and Mohammed than has ever been committed in the name of Satan." (June 1989)

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