Lawrence Klein's trip to Thailand

How to destroy a U.S. ally's security and make it look like good economics—by an Observer.

If you were in charge of your nation's security, how would you like to find yourself in the position of being on an official visit in an allied nation and learn from a news report that in your absence your defense budget had been cut by 17% without prior notice? Well, if you were the supreme commander of the armed forces of Thailand visiting the United States at the end of October, that's precisely the situation you would have had to face.

Nor did it do Supreme Commander General Arthit Kamlangek and several of the highest ranking officers of the three branches of the Thai armed forces much good to protest the measure on television and in an open letter to Prime Minister Prem Tinsulanond. The measure had been demanded and approved by authorities more powerful than the leading military officers of the world's twelfth largest allegedly sovereign nation. Their executive agent in this case was Thai Minister of Finance Sommai Hontrakul, the measure the surprise 17% devaluation of the Thai currency, the baht.

Aside from a small 1981 adjustment of the bhat-dollar exchange rate, this was the first major baht devaluation in over 30 years. Until the devaluation, the baht had been firmly pegged to the dollar, and while this put some obvious stress on the Thai currency and Thai exports as a result of the artificial strength of the U.S. dollar, the Thai economy had clearly and provably turned the corner when the recent devaluation occurred.

From the standpoint of the best interest of the Thai nation, this devaluation was as unnecessary as it was dangerous to the nation's security. It will clearly put the country's domestic economy and social peace under severe stress and, as indicated above, has effectively cut the defense budget by 17%, since Thailand has to make virtually all its military purchases in dollar terms.

It would be an arduous and perhaps impossible task to assemble the detailed evidence that would suffice to induce a grand jury to return a formal indictment against the putative criminals who either deliberately, recklessly, or ignorantly endangered Thai national security. However, if General Arthit and the Thai military officers who objected to the baht devaluation, both before the public and in their interventions internal to the government, had made an intelligence evaluation of some of the Thai proponents of devaluation, they would have been in a far stronger position.

Who did pull off the baht devaluation? Perhaps the most influential among the advisers who argued for the devaluation is Dr. Virabongsa Ramangkura, presently dean of the economics faculty at Chulalongkorn University in Bangkok and a special adviser to Prime Minister Prem. His background is as follows: In 1972 he graduated from the Wharton School of the University of Pennsylvania, where he wrote his thesis on "Policy Stimulation Model for the Development of the Economy of Thailand" comprised of economic forecasts for the period of 1970-1985. Upon his return to Thailand, Virabongsa joined the New Forces Party, a conglomeration pulled together in 1973 of liberals and left-radical students—many of whom later found their way to Ivy League schools in the United States—who participated in the 1973 student uprising.

In the present context, however, it is Virabongsa's continuing close association with Wharton School Professor Lawrence Klein which deserves prime attention. Klein won the Nobel Prize for his creation of the Wharton School Econometric Model, which is based on the doctrine of systems analysis. Klein was the chief economic advisor to former President Carter, who introduced depopulation as official U.S. policy under the rubric of *Global 2000,* and Klein is known to advocate a compulsory policy of one-child-per-family. Klein is also the chief statistician to the Brandt Commission of former heads of government which promotes labor-intensive "appropriate technologies."

Klein was in Bangkok in September, when he saw Virabongsa and urged him to force the devaluation of the bhat.

Klein's own early academic and political career had prepared him well for the kind of economic policies he advocates. Klein began his career right after World War II, when he participated in computer gridding work under the auspices of the Strategic Bombing Survey, the Anglo-American project to evaluate the effects of the massive Allied bombing of civilian targets in Germany.

The survey was directed by Cambridge economist Nicolas Kaldor, whose staff was an extension of the group Lord John Maynard Keynes had formed at Cambridge in 1930s. At the core of this Cambridge group and working under the direction of Keynes, were the Italian economist Piero Sraffa and Joan Robinson. Their assignment was to make the ideas of Marx and Malthus meet. Both Sraffa and Robinson were then members of the Cambridge cell of the Communist Party of Great Britain, an extension of the Soviet KGB's predecessor, NKVD.

After brief membership in the Communist Party U.S.A. in 1946, Klein worked under the National Bureau of Economic Research founder, Wesley Mitchell, who was at the time also training Milton Friedman and others that today make up the "Chicago School." In 1950, Klein moved to the Survey Research Center of the University of Michigan which was created by Kurt Lewin, a key figure in the Strategic Bombing Survey and a director of the British psychological warfare division at the London-based Tavistock Institute. Driven out of Michigan for his communist affiliation in 1954, Klein went to England for advanced training at the Oxford Institute of Statistics. He came back to the United States in 1958 to work on the most advanced econometric models at the Brookings Institute. In 1963, the model was shifted to the Wharton School at the University of Pennsylvania for commercialization and Wharton Econometric Forecasting Associates was founded.

The systematic destruction of economies

The case of Mexico best illustrated Klein's econometric model in action. In 1971, Klein and his protégé Abel Beltrán del Río, a Mexican who received his Ph.D. under Klein's direction at the Wharton School in 1969, set up an econometric model for Mexico nicknamed "Dimex." The model is based on a Keynesian economic approach and takes "demand" as the primary motor of the economy. Immediately dropped from analysis is any concept of productivity. The word "productivity" does not appear in any Wharton/Dimex studies. Questions of rate of investment and kind of investment are treated as secondary. The issue of rate of technological innovation is also ignored.

Klein is a close personal friend of Dzhermen Gvishiani, the son-in-law of former Soviet Premier Alexei Kosygin, who helped to found the Club of Rome and the International Institute of Applied Systems Analysis. The question might be posed: On whose behalf is Klein operating when he maneuvers to put into place policies that undermine the military of the United States and its close allies?

Beltrán has been the key man behind every devaluation of the Mexican peso, a policy that has broken the back of the industrial development program of Presidents Luís Echevería and López Portillo. In the mid-1970s, the peso stood at 12.50 to the dollar; today the exchange rate is 200 pesos to the dollar. More than half the economic advisers to President Miguel de la Madrid are graduates of the Wharton School. In the last year, following the policy guidelines of Klein, Mexico's productive output has dropped by 40%.

Klein now justifies the Thai baht devaluation by stating that although the Thai economy is "not doing badly," Thailand must reduce its foreign balance of payments deficit, reduce public spending, reduce inflation, and practice wage restraint. In order to do this, Klein also recommends that taxes be raised, that Thailand's foreign borrowing be cut, that the money supply be tightened, and wage-price controls be imposed.

In general, neither Klein nor his colleagues ever attempt to explain why these steps must be taken. Klein is also concerned that Thailand cut its defense spending. According to Klein, the Brandt Commission is studying a scenario for a trade-off of disarmament for what the Brandt Commission calls "development," whereby the United States and the Soviet Union would cut $26 billion a year in defense spending and donate the funds for "development" in the Pacific. To work out the details of this scheme, the Wharton School has placed its econometric model at the disposal of the Brandt Commission, and the proposed scenario will be run through Wharton's model under Klein's supervision.

Klein is also working on a project running out of Davos, Switzerland, called LINK, whose purpose is to formulate a detailed econometric scenario for integrating the economies of the Soviet Union and the West. He is a close personal friend of Dzhermen Gvishiani, the son-in-law of former Soviet Premier Alexei Kosygin, who helped to found the Club of Rome and the International Institute of Applied Systems Analysis. The question might be posed: On whose behalf is Klein operating when he maneuvers to put into place policies that undermine the military of the United States and its close allies?

As for Thailand, Klein finds satisfaction in the ease with which it is possible to change economic policies in a country like Thailand. Budget cuts are easier in Thailand than in the United States, says Klein, because all that has to be done is to convince the prime minister.

That is where the role of such people as Dr. Virabongsa enters in. With Klein et al. behind him, it should be clear that when Dr. Virabongsa recommends what may appear as economic policies designed to force principal policy changes on a country, in fact the change is not to be limited to economic matters at all. In reality, such economic policy measures as the devaluation of the baht are matters of national security, and Thai military advisers would be well-advised to check out the background of those who argue that the Thai economy must balance its foreign payments deficit at the expense of destroying its internal economy.