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# EIR

## Quarterly Economic Report

# The GRAMM-RUDMAN DISASTER

President Reagan's signing of the Gramm-Rudman amendment, which compels the federal government to reduce spending by about a quarter-trillion dollars over the next five years, completes the national bankruptcy of the United States. But even without Gramm-Rudman, living standards in 1986 will plunge 15-30% from the levels of the late 1960s.

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# EIR

## From the Editor

**T**he worldwide battle against the International Monetary Fund is entering a new stage. Never has *EIR's* role in leading that battle, and providing the intelligence required to win it, been more crucial than now.

First, we announce the publication of *EIR's* fourth *Quarterly Economic Report* for 1985, titled "Gramm-Rudman: Catalyst of a new depression in 1986?" For reasons that will be especially clear when you have read Lyndon LaRouche's "State of the Union" speech (pages 22-33), we insist that this *Quarterly* has to be in the hands of every lawmaker and every patriotic citizen. It not only details the causes of the imminent world financial breakdown, but gives concrete details of the emergency production mobilization needed to keep the world from starving in the period ahead.

In a dramatic address to the Peruvian people on Friday night, Feb. 7, President Alan García announced a comprehensive program of nationwide wartime economic mobilization, centered on large-scale infrastructural development programs, dramatic reduction of domestic interest rates, national control of food supplies, substantial wage increases, accompanied by stern military measures against terrorism, and a final warning against the traitors who endeavor to lend their voices to the International Monetary Fund.

Alan García's call to arms came within hours of the reports that the IMF had decided to order an international credit cutoff against Peru!

Next issue we will bring you three exclusive reports on key world developments: President García's war against international usury and its drug-trafficking shocktroops; the only accurate reports of the crucial Philippine elections; and, a stunning exposé on the Israeli Mossad and its arrangements with the Russian KGB, including new light on the *Achille Lauro* hijacking.

We can bring you this coverage because we don't get our news from the U.S. State Department. In fact, *EIR* is *the* alternative to the State Department, and for that reason we ask your support for our continued expansion.

As a reflection of our expanding coverage, we'd like to welcome two new occasional columns from European capitals, "Report from Madrid" and "Whitehall Outsider."

*Nora Hamerman*

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NSIPS/Philip Ulanowsky

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## Saudis declare oil war— British are the target

by William Engdahl

"The Saudis are willing to play this thing through and are willing to scare the daylights out of everybody." This was the comment of a leading analyst with the *Middle East Economic Survey* to the writer on the news that the Feb. 3 Vienna OPEC mini-talks ended with no agreement. *MEES*, which is widely believed to be very close to Saudi official thinking on oil strategy, added that Kuwait privately has stated that it expects "a three- to six-month bloodbath, and they are well prepared to live through it."

Coming out of the Vienna talks, prices of as low as \$10/barrel were floated in rumors for the first time since the Saudis triggered the present price collapse last December. Within minutes of the news from Vienna that the OPEC countries will continue to flood the world market with cheap oil until the non-OPEC countries, most especially Britain, agree to cooperate on limiting production, traded market prices for North Sea Brent oil collapsed another \$1/barrel, bringing it to below \$17 dollars for the first time since 1979. As of the close of trading in London on Feb. 4, Brent had dropped to \$15.75/barrel for forward contracts, making almost a \$3 drop since the Vienna meeting of the day before. London traders see no bottom in sight.

One leading London source close to the financial community in that leading money center, told this news service on Feb. 4, "The oil price situation is very serious, indeed. Mexico is only the tip of the iceberg. With talk of possible \$10/barrel oil, it will be difficult to avoid severe financial disruption this year. The Bank of America, to cite one obvious case, with its large Mexico loan exposure as well as major domestic energy loans, could become the next Continental Illinois." This is a reference to the largest postwar U.S. bank crisis in summer of 1984, which sent shockwaves through the world banking system.

Since the oil price collapsed below the \$20 level, widely regarded in the industry as a kind of psychological barrier, a

near panic has been triggered in major centers of international banking and among major oil-exporting nations, especially Mexico, the world's fourth-largest oil producer. Mexico late in the week before the OPEC meeting announced a \$4/barrel cut in its oil price in response to the falling prices, in coordination with neighboring OPEC producer Venezuela, who also lowered prices to maintain markets. Nigeria, on Feb. 3, announced through its state oil company an increase of production to average 2 million barrels/day for the January-March quarter. Because Nigerian oil is directly comparable with British North Sea crude, the addition of some 700,000 barrels onto the present market will put enormous additional pressure on British production.

Mexico's Finance Minister, Jesús Silva Herzog, told a conference of the Interamerican Development Bank in London on Jan. 29 that the new oil price collapse had created impossible conditions for the repayment plans to major New York and London banks of interest on their \$97 billion foreign debt. The impact of sharply falling oil prices has triggered devastating bankruptcies in areas where the oil industry is concentrated, especially in Texas. One of the world's largest offshore oil drilling companies, Global Marine, recently filed for bankruptcy reorganization on with \$1.1 billion of debts.

The British pound has also fallen dramatically, to record lows against the German deutschemark, because of the importance of oil to the revenues of the British government. Oil is supposed to bring approximately £11 billion to the United Kingdom's Treasury, until the latest collapse in price.

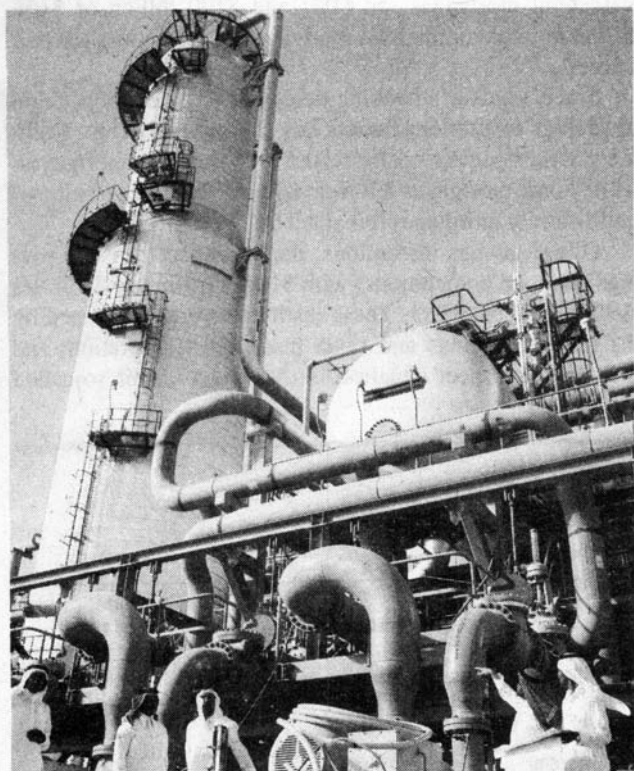
The Feb. 3 Vienna meeting was of a subcommittee of five OPEC producers—Kuwait, UAE, Iraq, Venezuela, Indonesia—called to discuss details of the decision announced on Dec. 9 of last year at OPEC's ministerial meeting. On Dec. 9, OPEC officially announced it was abandoning its strategy of the past three years—reducing production hoping

for future oil demand sparked by the economic "recovery" in the industrial nations to increase future demand for their oil. The chief OPEC victim of that strategy had been the world's largest oil producer, Saudi Arabia. By August 1985, Saudi Arabia had dropped its output down to as low as 2 million barrels/day in a desperate losing battle to stabilize the price. During the same period, Britain—not an OPEC member—steadily increased its production to record levels. In 1985, British North Sea production reached some 2.7 million barrels/day, exceeding Saudi Arabia!

Saudi Arabia has singled out Britain's role in its declarations, insisting that OPEC will continue to produce more oil so long as Britain refuses to discuss reducing its production. On Jan. 28, British Prime Minister Thatcher told the press, as expected, that the U.K. government will not intervene in the rights of oil companies to extract their full production from the North Sea.

### Change in the oil market is target

The real target of the Saudi war, according to industry and trading sources we spoke with, is the British role in the past several years to destroy the traditional manner in which countries like Saudi Arabia sold oil to major customers. Before the 1979-80 Iranian oil price shock, falsely driving the price of world oil to the level of \$36 to \$40 per barrel on the lie that the world was short of the plentiful energy resource, most oil was sold in long-term contract, usually five-year, to



*A near panic has gripped the markets, as the Saudis drive down the price of oil. Shown here is a processing facility at Yanbu, Saudi Arabia.*

a specific buyer such as France. This method ensured stability and orderly markets. Only 3-5% of total oil was sold to usually small trading companies, odd-lot cargos which could not be delivered. This was called in the industry, the "Rotterdam spot market," because most companies were in the huge Dutch oil port city.

Since 1982 or so, New York and London trading houses, including the major oil companies such as Royal Dutch Shell and British Petroleum, began to destroy the traditional long-term contract market by introducing speculative "paper" markets, called futures—the New York Mercantile Exchange, or the London 15-day "forward" market for North Sea Brent oil. In the spring of 1985, the Thatcher government gave this speculative market a major boost when it announced that the government's British National Oil Company was turning its oil purchases of North Sea oil to "free market" price control rather than contract buying. Some 600,000 barrels of Brent oil is daily available in the forward speculative markets today as a result of this decision. This British action had placed impossible pressure on OPEC long term agreements in recent months.

Beginning September, after repeated pleas to Britain to change, Saudi Arabia began a reverse which, by the third week of January precipitated the current world price collapse. Steadily increasing its production, Saudi Arabia began offering its oil at flexible contracts, six months long, at prices which guaranteed the purchasers a \$1.50 profit at the refinery of destination. These contracts, known as "net-back" deals because of the novel profit incentive, were snapped up by BP, Shell, Exxon, and the other major oil companies. By the December OPEC meeting, Saudi production reached 4.5 to 5 million barrels/day. Then, beginning about Jan. 2, the Saudis added some 3 million barrels/day for three weeks from some 67 million barrels it had stocked in super-tankers off the Japanese coast. These were reportedly bought by the huge Japanese trading houses. With the oil majors and the large Japanese buyers locked in, Saudi Arabia for the moment has created a major problem for British financial speculation strategy.

According to expert industry engineering sources, the Saudis have a long range to wage this remarkable price war. They are able, according to sources, to produce up to 14 million barrels/day at a cost of production of some \$1.50 to \$1.75/barrel. "If I were the Saudis," the head of futures trading for one major British oil company related, "I would flood the world with about 22 million barrels/day of cheap OPEC oil, force all the non-OPEC players like Britain to collapse operations significantly, then restabilize the market."

Whether they even can at this point is by no means clear, but it is clear that the Saudis are acting as a "loose cannon" on the deck of the world financial system. No wonder reports are that Prime Minister Thatcher is personally traveling to the oil kingdom this month. The question is, what can she offer?

# Gramm-Rudman, tax reform, and real estate: \$1.3 trillion at risk

by David Goldman

The current default rate for home mortgages is at an all-time historical high of 0.25%. Conditions in the commercial real estate market are much worse. Roughly 20% of all debt attached to commercial real estate in the United States is already bad, according to banks' own lax standards of reporting debt. About a quarter of all prime office building space in the country is vacant, counting new construction about to come on line. Most of what the U.S. government has reported as economic growth in the past three years, apart from outright fabrication of statistics, is a gigantic bubble in the real estate market, now in desperate financial condition.

That's the bad news: The worse news is that the combined effects of Gramm-Rudman and the associated tax reform legislation passed by the House (and under review in the Senate Finance Committee) will puncture this bubble. Elementary calculations derived from a variety of authoritative public and private sources put the size of the disaster in the real estate market at about a quarter trillion dollars.

That is, one-quarter trillion dollars of bad real estate loans will bring down a large part of the \$1.3 trillion in savings and loan or savings banks' deposits, along with scores of billions of dollars of commercial-bank deposits. Since almost all of these deposits are guaranteed by the Federal Savings and Loan Insurance Corporation (FSLIC) or the Federal Deposit Insurance Corporation (FDIC), the Gramm-Rudman bill and associated tax legislation will trigger costs to the federal government several times in excess of proposed savings.

At year-end 1984, all savings institutions in the United States had \$1.266 trillion in liabilities, including \$1.084 trillion in deposits.

Assets of \$1.309 trillion were invested as follows:

Mortgages (billions)	716.4
Of which	
Home mortgages	550.0
Commercial	100.1
Multi-family	66.3

U.S. government securities	224.8
Corporate and foreign bonds	20.4
Tax-exempt obligations	2.8
Consumer installment credit	106.1
Miscellaneous	124.2

The savings institutions (savings and loan associations, mutual savings banks, and credit unions) held \$550 billion of a total \$1.324 trillion in outstanding home mortgages, or 42% of the total; \$62 billion of \$162 billion of multi-family residential mortgages, or 41%; and \$100 billion of \$406 billion in total commercial mortgages, or 25%, as shown in **Table 1**.

Since Volcker's banking deregulation, the composition of savings institutions' assets has shifted noticeably. Commercial mortgages went from 10% to 14% of total mortgages, while home mortgages fell from 80% to 76%. The portion of multi-family mortgages remained the same at 10%.

Of the savings institutions, the largest sector is the savings and loan associations, with \$1.062 trillion in liabilities as of November 1985. These institutions are guaranteed by the Federal Savings and Loan Insurance Corporation, and their balance-sheet situation is disastrous. Their so-called

TABLE 1  
**Outstanding mortgages**  
(Billions \$)

	Amount	Savings institutions % of total
Total	2,003	36
Home	1,324	42
Multi-family	162	41
Commercial	406	25
Farm	112	n.a.

"regulatory net worth," i.e., their equity under the stretched definition of the FSLIC, is officially \$45.1 billion, or 4.2% of liabilities.

Against this 4.2% equity cover for liabilities, the S&Ls list "substandard loans and repossessed assets" at 3.01% of total assets, as of November 1985. That proportion grew from 2.05% in November 1984, i.e., from \$19.68 billion to \$31.95 billion in November 1985. Before any substantial shake-out occurs in the market, the current growth rate of bad loans would wipe out the entire listed equity of the S&Ls during the course of 1986.

However, the listed \$45.1 billion figure for "regulatory net worth" must be adjusted downward, by anywhere from \$14 billion (*Wall Street Journal*, Jan. 8, 1986) to \$50 billion (GAO report, October 1985, worst-case scenario). The reason is that the FSLIC has not forced institutions whose net worth is already negative, to liquidate bad assets at what the market will bear. The FSLIC has issued its own scrip, called Income Capital Certificates, to S&Ls with negative net worth, and has committed itself to issue additional such certificates for failing institutions it has brought under "management contracts" with stronger S&Ls.

A Nov. 18, 1985 report by Prudential-Bache Securities analyzed the FSLIC's balance sheet as follows:

\$10 billion assets of FSLIC  
minus \$4 billion in liabilities  
\$6.0 billion net worth of FSLIC  
minus \$1 billion of inflated asset value  
\$5.0 billion net worth at market  
minus \$1.8 billion in outstanding ICCs  
\$3.2 billion  
minus \$1.8 billion in additional ICCs  
required to bring institutions under  
management contracts above \$0 net worth.  
**\$2.0 billion net assets.**

In other words, the S&Ls as a whole have, effectively, no net worth, adjusting for bad loans as of 1985, and their regulator, the FSLIC, has no funds worth mentioning to do anything about this. A closer look at the state of the real estate market, in the light of tax reform, indicates how rapidly the entire structure will be capsized.

All parameters of soundness of all sectors of the real-estate market are already at historical low points, prior to the outbreak of actual credit disturbances. What is remarkable is that the S&Ls percentage of bad loans to risk assets, as opposed to total assets, is 4.5%. Assuming that the bad-loan category does not apply to securities held by the S&Ls, the bad loan ratio is already extraordinarily high.

Nationally, the officially reported rate of delinquent home mortgage loans is 0.25%. If this rate had applied to the S&Ls total mortgages, their bad loans would be one-twentieth of what they are in reality. Using the above numbers, assume that three-quarters of their total mortgage loans of \$648 bil-

lion are home-mortgage loans. Applying the reported delinquency rate, we find that \$1.2 billion in home-mortgage loans are delinquent, a tiny fraction of the \$32 billion in total reported problem loans. The remaining \$30.8 billion in delinquent loans applies, therefore, to non-single-family mortgage loans or related loan categories. We thus obtain a delinquency rate on the commercial and multi-family residential mortgage categories (along with a small volume of non-housing consumer lending) of 19%.

That may be slightly exaggerated, since much of what the S&Ls report as home-mortgage loans are undoubtedly no such thing, and the reported delinquency rate is undoubtedly much higher. However, 0.25 is the highest recorded delinquency rate in U.S. history, and the implication that it is, in fact, substantially higher, is ironic considering all the nonsense about consumer-led recovery. However, even if we assume that the home-mortgage default rate were an historically astronomical 0.4%, the imputed default rate on remaining mortgages would be 18%.

That is to say that even before tax reform hits the fan, the present bad-loan rate on commercial and multi-family residential real estate is in the 15 to 20% range: a striking conclusion. It is less striking in consideration of a national vacancy rate for office space estimated at 16%. In reality, the vacancy rate is much higher than the usual estimates.

According to the fall/winter 1985 survey of the real estate market published by the Office Network:

- The national vacancy rate is leveling off at 16.3%, after climbing continuously since 1980. The rate was 16.4% at the beginning of the year.
- Current construction of 177.1 million square feet exceeds that of the 1981 boom and defies the double-digit vacancy rate.
- National average rental rate has hit a new high of \$22.32 per square foot. Quoted rental rates are expected to continue escalating as space under construction is completed and added to the existing market.
- Absorption reached a new high of 75.9 million square feet during the past 12 months.
- Available space, including uncommitted space under construction, has reached the 365.9 million square-foot level, an amount 4.8 times the absorption figure for the past 12 months.

These remarkable numbers permit the following insight: If the vacancy rate is calculated on the basis of uncommitted space under construction plus existing vacant space, *the true vacancy rate is 27.4%*. Even if it were assumed that the absorption rate of 1985 would prevail through 1986, the true vacancy rate would be 23.9%. We can split the difference and say that one-quarter of all prime office space is currently vacant. In Houston and Dallas, vacant space is currently listed at 28%, and new construction already on line is expected to bring this level up to 40% in the course of 1986.



TABLE 2

**Real estate: approximate market value in 1981**

(Billions \$)

Total	5,501
Residential	3,664
Single family	3,316
Commercial and industrial	761

TABLE 3

**Real after-tax rates of return for varying debt ratios**

(%)

Debt ratios	Current law	Tax reform	Decline in rate of return
60%	7.5	6.7	-12
70%	9.3	7.9	-18
80%	12.5	8.9	-40
90%	20.3	9.8	-52

The lowest cited figure for vacant space is Manhattan, with a vacancy rate of only 9%.

Most significant in this regard is that resale prices have not yet softened, and rents have continued to rise, from a national average of about \$19 per square foot in 1981, to an estimated \$22 per square foot at the end of 1985. 1985 was the biggest year for major sales of real estate in U.S. history, with 23 sales in excess of \$500 million.

Sachs took the opportunity to sell off their headquarters building while the going was good.

The conclusion we may draw from this singular behavior of the real estate market—a combination of astronomical loan-delinquency and vacancy rates, with still-rising rents and prices—is that *bankers and developers have engaged in a massive fraud to preserve the nominal values of commercial properties, and avoid writing down the values of loans on their books.*

According to the most recent published estimates, the value of real estate holdings in the United States, by major categories, is shown in **Table 2**.

The value of commercial space may be calculated as follows: Approximately 1.5 billion square feet of prime office buildings exist in the 24 top market areas surveyed by the Office Network. At \$22 per square foot average rent, their income-production capacity is \$33 billion annually. According to a Price-Waterhouse formula of \$.855 in rent for every \$10 of property, we can estimate a market value in

the major market areas of about \$386 billion. That corresponds roughly to the existing numbers for outstanding commercial mortgages.

A bad-loan rate of 15% to 20% translates into a \$57 to \$77 billion loss for the banking system. However, the current vacancy rate of 25% suggests that the loss will escalate, to \$96 billion.

That is *before* Gramm-Rudman and tax reform, whose impact we calculate below. They stand to devalue commercial real estate by about 40%, with an additional *potential* loss (based on lower resale value of buildings) of at least \$154 billion. The immediate losses plus potential loan losses we can anticipate—as a matter of pure arithmetic—are more than \$250 billion, divided about equally between savings institutions and commercial banks. For reasons made clear earlier, this is sufficient to wipe out the entire banking system.

**Effects of tax reform**

According to the Price-Waterhouse study commissioned by the National Realty Committee and published in July 1985, the decline of rates of return on commercial real estate under the administration's tax reform proposal, as opposed to existing law, would look as shown in **Table 3**.

For the most typical case, i.e., the 80%-debt-based transaction, the decline in rate of return, and therefore of the imputed value of the building, is 40%. That is no surprise; the tax deals marketed through syndications since the 1981 tax code was changed to benefit this swindle, contained markets of this order, reflecting tax advantages.

Price Waterhouse conducted their study for pay on behalf of a tax-lobby group, but their analysis of the cost of eliminating the tax-advantages for real-estate syndications is straightforward and accurate. They comment:

The advantage of leverage is not simply a result of the fact that interest expenses are deductible. Since interest, properly measured, is a cost of doing business, incurring an additional deductible cost will not, by itself, increase the rate of return. Leverage is advantageous because it reduces the necessary investment per dollar of accelerated deductions.

As shown in the above table, increases in rates of return under alternative debt ratios are relatively small under the administration proposal. The reason is that the administration proposal limits the deduction for interest expenses incurred through a limited partnership. Consequently, leverage receives less favorable tax treatment under the administration proposal than under current law.

In addition, the total amount of available depreciation is less; rather than 19-year declining-balance (accelerated) depreciation, the various administration and Ways and Means Committee proposals prescribe 30-year straight-line depre-

ciation. Price Waterhouse estimates that the value of depreciation benefits will fall by 40% under the Treasury option, the Ways and Means Committee option, and the final version passed by the House, for real estate held for 30 years.

Also, appreciation of property held for investment purposes would not be taxed at the 20% capital gains rate, but at the 35% ordinary rate, under the tax reform proposals.

In conclusion, the rate of return on 80-percent-leveraged real estate would fall by 40%. That is the most typical case for the major commercial office market.

### The crisis in government finances

The Treasury will be presented with a large part of the bill for the collapse of the real estate market, and associated banking sectors. The Treasury's direct or indirect commitment to the real estate market at the end of 1984 is shown in Table 4.

Of the Treasury commitments, the most vulnerable portion is the Federal Home Loan Banks' direct advances to S&Ls, which rose to \$82.7 billion as of the end of 1985. The Federal agencies' holdings of home mortgages have already become a problem, particularly for the Federal National Mortgage Association, with \$92 billion in liabilities and only \$1.3 billion in capital, forcing FNMA to announce a tightening of standards for purchases of mortgages last fall.

Far and away the biggest problem is the simple FSLIC guarantee of \$1 trillion of S&Ls deposits, not including the FDIC's guarantee of \$300 billion of savings banks' deposits, at a point when the entire system may collapse. The Treasury's liability can rise up to a significant proportion of total deposits, under conditions of a generalized run against the S&Ls.

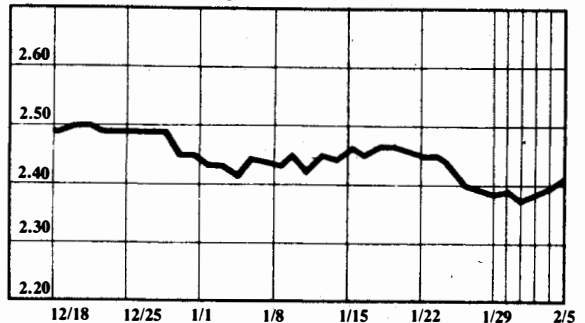
TABLE 4  
**Treasury commitments in the real estate market**  
(Billions \$)

	Amount
<b>Sponsored credit agencies</b>	
Housing credit	176.0
FHLB advances to S&Ls	74.6
Residential mortgages	101.4
<b>Federally related mortgage pools</b>	
Total mortgage holdings	289.0
Home mortgages	283.0
Multi-family mortgages	5.5
Farm mortgages	0.5
Total housing credit	464.5

## Currency Rates

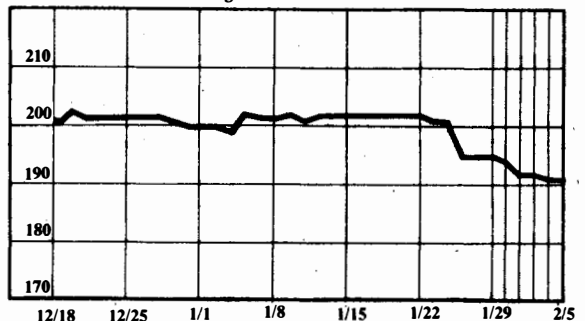
### The dollar in deutschemarks

New York late afternoon fixing



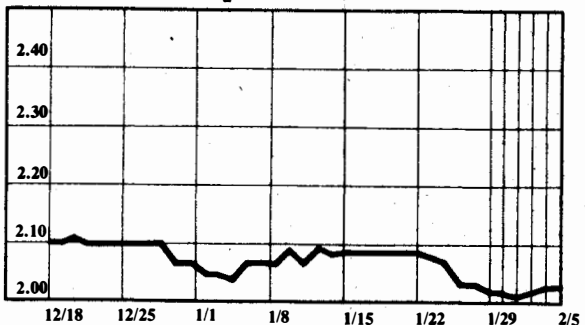
### The dollar in yen

New York late afternoon fixing



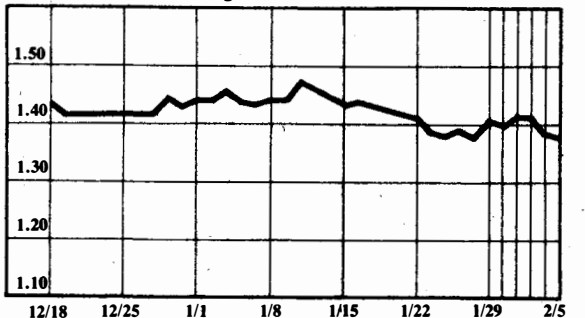
### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



### There's a snake in the Hormel strike!

*A front organization for the Communist Party U.S.A. has introduced the tactics of the 1930s.*

Corporate Campaign, Inc. "has been very effective," Greg Tarpinian told a researcher for *EIR*. Tarpinian is executive director of Labor Research Associates, a recognized front group of the Communist Party U.S.A. "The reason Corporate Campaign has gotten so much publicity is that they are the only ones doing what they are doing," he said.

Mary Jo Kilroy, a member of the left-radical National Lawyers Guild, which regularly defends terrorists and communists, also recommends Corporate Campaign: "Yes, I am familiar with CCI. CCI . . . tries to raise consciousness."

Corporate Campaign, Inc. was founded in New York in 1984 by Ray Rogers and Ed Allen, high-priced labor "consultants" whose services have been hired by Local P-9 of the United Food and Commercial Workers in Austin, Minnesota in their strike against the Hormel meat company.

The five-month-old strike has gained widespread media attention because of the level of violence it has generated. Beginning in January, the strike escalated, after Hormel began hiring replacement workers for the more than 1,000 strikers. Some 800 national guardsmen now stand shoulder-to-shoulder in front of the plant daily, to prevent violence. On Feb. 1, more than 1,000 university students showed up for a rally at the plant, bearing a large banner which read "Solidarity." Farmers from the pro-terrorist Groundswell organization recently brought their tractors into town to blockade entrances to the plant.

Dozens of instances of sabotage of Hormel meat products have been discovered in area stores, while a letter threatening to "poison" Hormel products was sent to the press on Feb. 4.

Ray Rogers' definition of his "Corporate Campaign" is "a mechanism to confront power with power." Rogers has been touted in the national media as the "Clausewitz of the corporate campaign," a "new approach" to trade union struggles, in which the union's efforts are focused against the targeted company's "corporate power structure," including its banking, insurance, and other financial ties.

Rogers first skyrocketed into public attention when he took command of the 17-year-long struggle to unionize 10 J. P. Stevens plants in the Carolinas and Alabama. His tactics were hailed by *New York Times* veteran leftist labor reporter A. H. Raskin: "Pressure on giant banks and insurance companies and other Wall Street pillars, all aimed at isolating Stevens from the financial community, helped generate a momentum toward settlement that could not be achieved through the 1976-80 worldwide boycott of Stevens products or through more conventional uses of union muscle such as strikes and mass picketing."

Rogers has been accorded massive press coverage since the Stevens strike, which was the subject of the motion picture, *Norma Rae*. *Business Week* gave him accolades in an April 1984 article, "The Picket Line Gives Way to Sophisticated New Tactics." The *New York Times* gave him a Section-

A op ed on Feb. 8, 1984, titled "Fighting Management." The *Christian Science Monitor* titled its August 1981 coverage, "Fighting Power with Power." And, of course, the left press loves him.

But the traditional unions keep a safe distance from Corporate Campaign, and at least four unions, including the Air Line Pilots Association and the International Association of Machinists, hired Rogers' services, but cut him off after a brief association.

Rogers, a pacifist and a vegetarian, claims that he "would not kill a fly." He holds a college degree in sociology from the University of Massachusetts, and spent two years of alternative service in VISTA, mainly in the Tennessee Appalachians. His first foray into Saul Alinsky-style organizing was his founding of the non-profit, tax-exempt foundation, "Human Love Action" in Washington, D.C. in the early 1970s, for which he obtained Public Welfare Foundation grants.

Rogers' "corporate campaigns" are nothing but a soft cover for the kind of agent-provocateur policies that communists have used in the labor movement since the 1930s. His "new tactics" aren't new; they are the same tactics used by the "New Left" in the days of protest against the Vietnam War, when individual companies, was the target. Their purpose, as Rogers himself openly admits, is to "divide and conquer the capitalists."

The American System was built on the exact opposite principle, the principle of Harmony of Interest between labor, farmers, and business, in continued expansion of productivity through use of new technologies and improved living standards. If the American System of economy is to be saved, it will only be through re-establishment of the Harmony of Interest.

## 'Generic PIK'—it tops all

*If you thought the 1983 PIK (Payment in Kind) food reduction program was crazy, "you ain't seen nothing yet."*

This year, the U.S. Department of Agriculture (USDA), under the new five-year "Food Security Act," the abomination that Congress and President Reagan enacted in December, will implement the most drastic and stupid set of food reduction plans ever to plague a population.

On Jan. 13, most of the food reduction measures were announced by the USDA: the crop acreage reduction program, the milk reduction program, the "conservation reserve" program, and the new "generic PIK" swindle, in which farmers who participate in the food reduction programs are to get a little cash "up front," and some certificates to a generic PIK, "payment in kind," down the line.

Meantime, there are no emergency measures to stop the mass elimination of the independent farmer. At least 250,000 farms are in financial crisis across the country, according to the preliminary information from a forthcoming USDA report. And Washington has done nothing to relieve the emergency, or to support food production measures.

Since Jan. 13, there has been great confusion about details of what the various farm programs will involve, and, in particular, how Gramm-Rudman will cut agriculture operations even more than originally planned.

It is widely observed in Washington that even the work-a-day USDA staff—whose younger generations are not known for their perspicacity—can't stand the confusion. According to a spokesman for the UPI Washington farm office, "morale among tal-

ented bureaucrats" is extremely low.

Agriculture Secretary John Block will leave office Feb. 17. It is an open secret that Block is no longer needed now that the new farm law, Gramm-Rudman, the Farm Credit System law, and so forth, will give the international food cartel interests every policy measure they have desired. Block has served all along as a mere front man for the cartels—Cargill, Continental, Bunge, Louis Dreyfus, Nestle, and others.

Since 1983, the USDA has been blatantly run for Cargill by Daniel Amstutz, the 25-year Cargill executive who became top USDA undersecretary. The recent package of USDA food reduction plans serves these interests, whose "New Yalta" orientation to world strategic commodities, aligns them with the Soviet Union's economic build-up.

One recent Washington press source described Amstutz, whose first act in office in 1983 was to go to Moscow and arrange the five-year food trade guarantee pact: "The Undersecretary of Agriculture for International Affairs and Commodity Programs [is] regarded as a secretive genius at crafting farm programs who keeps decisions close to his vest."

Here are the latest "genius" commodity programs from the USDA:

**Generic PIK:** Crop farmers who sign up between March 3 to April 11 and agree to idle a government-dictated percent of their cropland (20-35%), will then be eligible for minimal government price support and loan payments. Forty percent of these pay-

ments can be made this spring. In a complicated set of arrangements, some of the remaining payments will be made in the form of "generic PIK" certificates that the farmer is to redeem for some kind of crop through Sept. 30. Or he can sell them.

**Dairy herd buy-out:** Between Feb. 7 and March 10, dairy farmers can submit bids to the government on how little money they are prepared to receive from the government for selling their whole herd for slaughter. They must agree not to have any further interest in milk output activity for at least 5 years.

**"Conservation Reserve."** From March 3 to March 14, farmers can submit bids for rental payments the government will pay to convert cropland to non-food grass cover or to forest for at least a decade. The government objective is to lock up 5 million acres in 1986, towards a total of 45 million acres.

The Gramm-Rudman budget cuts further complicate these food reduction plans, mostly by adding to the anticipated food output cuts. For example, those dairy farmers remaining in production can expect to have the price they receive per hundredweight of milk produced decline from about \$11.60 to \$10.60, and to as low as \$8.65 by this time next year.

All these reduction programs add up to a disaster on a scale to make the 1983 crop reductions, when the U.S. corn harvest fell 50%, look small.

The only thing gaining in the short run is that, this spring, there will be a small transfer of funds from the government set-aside program to certain banks and farm credit institutions. Some lower congressional and USDA circles perhaps think this will stave off the mass farm bankruptcy now pending. It won't be the first time they were wrong.

# Business Briefs

## Ibero-American Debt

### State Department threatens Peru

Assistant Secretary of State for Inter-American Affairs Elliott Abrams threatened Peru in an interview with the daily *La Repubblica* in Lima, Peru, Feb. 2:

"We think it is a mistake to put arbitrary limits on the quantity of money which is paid to creditors, and it is an even bigger mistake to refuse to negotiate with the IMF. Peru has decided not to negotiate with it. We should try to work within the institutions and not against them. However, having declared Peru's debt to be 'value impaired,' is not a sanction against the Peruvian government's rhetoric, nor related to the IMF.

"Peru decided to leave the system. . . . Having taken that decision, it must, however, face certain inevitable consequences."

Abrams said that the cuts in U. S. aid to Peru were done "automatically" under the law. He admitted that Peruvian President Alan García "has the courage to fight" the drug mafia, but would not commit himself on giving serious levels of aid.

The threats seem to have fortified Peru's resolve not to change its debt policy: Peru extended the moratorium on amortization of principal of its debts until May. The moratorium, declared by President García at his July 28 inauguration, expired at midnight Jan. 31. Official notice of the extension was published on Feb. 1, though Peruvian authorities had reportedly briefed creditor banks on the measure.

## Merry England

### Government moves for more privatization

During the week of Feb. 3, the British government unveiled its timetable for "privatizing" the 10 giant authorities that supply most of the pure water consumed in England and Wales.

This is being portrayed in Britain as "bolder" than the recent privatization of British Telecom.

The *Times* of London quoted one oppo-

nent of water-privatization, who says, "You can live without a phone, but you will not last long without water." The *Times* itself adds: "This week's move to privatize water will be the first time a government has tried to take one of the absolute necessities of life, out of public ownership."

Meanwhile, the consequences of Britain's monetarist policies in other areas became evident: The government announced on Jan. 30 that the number of people out of work in Britain rose in January to a record 3.4 million, or 14.1% of the work force.

The Department of Employment said the number of jobless has now reached a total of 3,407,729, surpassing the previous record set last September.

## Middle East Development

### Israeli prime minister for 'economic progress'

"Economic progress, even prior to the solution of all political differences," would be the "foundation" for a settlement in the Middle East, Israeli Prime Minister Shimon Peres told the London Royal Institute of International Affairs on Jan. 22.

According to the text of the speech, Peres also stressed that "1986 is the crucial year" for peace in the Mideast, and, "if wasted, the opportunity may never return."

Excerpts from the speech include:

"Mr. Chairman, we are convinced that if peace is to be advanced, we must concentrate on economic development, on the widening of the industrial base and technological infrastructure of the countries in our region.

"Europe, the United States, and the Middle East countries can join hands in an imaginative new Marshall Plan for the development of economic and technological infrastructure in our region, thus advancing economic progress even prior to the solution of all political differences. Indeed, an improved economic foundation may produce a better psychological setting for the difficult political decisions required.

"The need for rapid progress stems from the painful realization that, in the Middle East, an atmosphere of peace is a perishable commodity. . . ."

## Africa

### 'IMF blamed for everything'

The Nigerian international newsweekly *Concord*, published in both Lagos and London, carried a three-quarter page report by the Schiller Institute in its Feb. 6 edition, denouncing the IMF and the World Bank.

The Institute report was originally a two-page announcement of the Paris Conference on Africa Development (story on page 34). Under the headline, "IMF Blamed for Everything," the *Concord* announced the conference and the creation in Paris of a "North-South Action Committee for a New World Economic Order against the IMF."

Though publishing the entire communiqué as written, *Concord* added one sentence of its own comment, reflecting Nigeria's factional fight on the issue of the IMF, saying that the Institute is "well-known for its conspiracy theories in world economics."

It goes on to list the urgent actions demanded by the Institute against the IMF, and the Institute's proposal for large-scale infrastructural development projects.

## German 'Recovery'

### Unemployment grows, more austerity asked

In January, the German jobless rate reached 2.6 million, the worst January since 1948, making the Bonn government's "recovery" propaganda look ridiculous.

The figure shows a hardening of long-term unemployment, increasing short-work in the construction branch, and a rising rate of insolvencies, mainly among medium-sized companies.

Simultaneously, Germany's third-largest chain of department stores, Hertie's, announced on Feb. 4 that five of its stores will be closed in northern and northwestern Germany.

"With unemployment rising, people buy less. That is why we have to close," a



spokesman said. The stores lie in cities with above-average jobless rates, like Dortmund, Herne, and Bremen.

According to official estimates published by the Ministry of Agriculture on Feb. 5, German farmers' income will drop by another 6% in 1986. There will be agricultural income losses of 4-8%, adding to a 22% loss in 1985. This income loss of about 30% in two years will put many indebted farmers on the chopping block by the end of 1986.

Farmers' rage against the government is increasing, portending problems in the 1987 national elections for the Christian Democrats, who have had a strong constituency among farmers.

Meanwhile, Otto Count von Lambsdorff, former economics minister, in an interview with the *Frankfurter Allgemeine Zeitung* on Feb. 3, called for greater austerity, and "if the people scream, let them scream."

Attacking the current austerity line of Chancellor Kohl as "too soft," Lambsdorff said that mere fiscal austerity was not enough, but that general cuts had to occur in state subsidies to steel, mining, etc.

The count also advocated the reprivatization of state-owned industrial enterprises, and called for a relative lowering of wages and labor health care.

He was removed from office last year in a scandal involving accepting bribes.

## Libya

### U.S. companies in Libya may evade boycott

The State and Treasury departments may exempt the U.S. oil companies in Libya from the embargo imposed by President Reagan.

The administration is considering granting licenses to the companies that would allow them to continue to receive some income from Libya after the embargo starts.

A high-level State Department and Treasury Department group is acting on requests from the companies to exempt them from the ban on further business in Libya, on the grounds that this would prevent the Libyans from reaping a "windfall" from the

assets and incomes of the companies.

The State Department, meanwhile, refuted reports charging that the companies are getting around the embargo by lending or selling their production to European companies. "We have no reason to believe that they have taken any action inconsistent with the President's request," said spokesman Bernard Kalb.

## International Debt

### Italy may cancel debts of poorest nations

The Italian government may cancel the debts of the poorest countries, according to the newspaper *Il Giornale* of Feb. 4.

The idea of a debt cancellation had been proposed by Francesco Forte in the Socialist paper *Avanti!*

According to diplomatic sources quoted by *Il Giornale*, "In Palazzo Chigi [the government], the problem has long been under scrutiny, and is viewed with interest. The developing countries can be helped either by giving food or by keeping these countries from being destroyed by debts. Such a decision is viewed favorably."

## Austerity

### Democrats pushing protectionist measures

House Democrats in Washington have seized upon new figures showing the U.S. trade deficit at a record \$148.5 billion, to push protection measures.

The Democratic Leadership Council proposed a nine-point plan, which would give the U.S. broader power to retaliate against "unfair foreign trade practices," require U.S. Trade Representative Yeutter to set targets for increased exports to a number of countries, and establish a "war chest" to combat foreign export subsidies.

"We need to try to force open the doors of other markets," said sponsor Rep. Dan Mica (D-Fla.).

# Briefly

● **'GRAMM-RUDMAN . . .** is like eating two MacDonal'd's hamburgers in a row. It destroys your internal economy," a London strategist, just returned from several days in Washington, commented to *EIR* on Jan. 31.

● **JAPAN'S** leading Dai-Ichi Kangyo Bank announced on Feb. 5 that it would lower its short-term prime lending rate; banking sources said that similar action from other banks was expected. The rate paid to creditworthy customers would drop to 5% on Feb. 24. The reduction follows the lowering of Japan's official discount rate—interest paid by banks on funds they borrow from the Bank of Japan—to 4.5% on Jan. 30.

● **U.S. FACTORY** orders rose \$5.2 billion, or 2.7% in December, the largest increase in 13 months, according to the notoriously unreliable Commerce Department. Commerce also reported spending on new construction rose 2.8% in December, following a 0.4% decrease in November.

● **TEXACO** announced on Feb. 3 that if it is ordered by a court to post an \$11.1 billion bond while appealing the decision on a lawsuit brought by Penzoil, the company will go bankrupt before the appeal can be heard.

● **E. I. DUPONT** de Nemours, the nation's largest chemical company, reported on Jan. 29 that its fourth quarter profits were up by 23%, largely as a result of its energy businesses. For the year, Du Pont reported total earnings of \$1.12 billion, down 22% from \$1.43 billion in 1984, as sales declined 4% to \$29.5 billion. Du Pont is now under the control of Edgar Bronfman via the Seagram's liquor firm, which has controlling interest over Du Pont.

● **WAGE INCREASES** in 1985 were the worst since records were begun in 1968—only 2.3%. More workers lost their cost of living benefits than gained them in 1985.

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## Russians lead in ceramic production technologies

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*The Soviet Ministry of Tank Production found out about this revolutionary new technology, and classified it immediately. Robert Gallagher reports on the "ceramics gap."*

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After reports that Soviet facilities were producing finished ceramic cutting tools, heating elements, wire, plate, tubes, and other parts, as well as tons of ceramic powders, in a one-step process that takes a fraction of the time required by processes in the West, the U.S. Defense Department in 1983 commissioned the Systems Planning Corp. to investigate the technique, known in Russia as "self-propagating high-temperature synthesis," or as "gasless combustion synthesis" in the United States.

Modern ceramics are materials for the fabrication of parts for industrial, aerospace, and military equipment, that enable them to withstand higher temperatures and other stresses, or make them lighter. The space shuttle could not successfully reenter the Earth's atmosphere without the ceramic "tiles" that cover its surface. In industry, the use of modern ceramics will boost productivity by allowing the application of higher energy flux densities. However, among the bottlenecks to the widespread use of ceramics today, are the backward production methods in use in the West. The Russians have solved that production problem with a process that makes dominant Western methods look medieval.

Self-propagating high-temperature synthesis (SHS) involves igniting the energy-producing, exothermic reaction of molecular fusion of ceramic compounds, from powder mixtures of their elemental constituents. A small amount of energy (typically about 10 watt-hours), is applied at a high energy flux density ( $10^9$  watts per square meter) through a tungsten wire, to ignite the reaction of formation of, for example, titanium carbide, from a mixture of titanium and carbon powders. If the powders are pressed into a desired shape, the result of the ignition will be a cutting tool or other

finished product (Figure 1). U.S. national labs had looked at the process over a decade ago, but dismissed it then as unfeasible.

### The national security issue

The reports written by Systems Planning Corp. and issued by the Defense Advanced Research Projects Agency (DARPA), document that the United States, Japan, and West Europe, now face a "ceramics gap" of significant national security importance. Self-propagating high-temperature synthesis of ceramic parts takes only minutes, and promises to completely eclipse existing U.S. ceramic part production methods, which presently require *days* to produce a single batch of parts, in an inefficient process little different from baking a cake.

A few years ago, the Soviet Ministry of Tank Production became interested in the new parts-production technology, and put the entire program under military classification.

According to one DARPA report, recently reissued by Noyes Publications under the title, *Gasless Combustion Synthesis of Refractory Compounds*, SHS would benefit programs related to strategic defense, e.g., advanced space nuclear reactor fuels to power lasers, production of "light-weight, radiation protective armor" for satellites, etc. American ceramic powder and parts manufacturers interviewed by this writer, either had no awareness of the Soviet technology, or only very superficial knowledge of it.

The Russians have been working with the process for about 20 years, and according to the DARPA reports, now have nine plants in operation; each produces a thousand tons per year of titanium carbide, silicon nitride, and supercanthol



*The Soviet Ministry of Tank Production is interested in using the new ceramics technology for manufacture of precision cutting tools. Now the United States is in a race to catch up. Shown here: the Soviet T-72 tank, on parade in Moscow.*

( $\text{MoSi}_2$ ). The Russians know that they have caught the West flat-footed in this technology: They are presently licensing use in the West of a three-reactor unit which produces a continuous average output of 90 kilograms per hour of ceramic powders.

Soviet scientist A. G. Merzhanov has led the Soviet program since the 1960s, and has reportedly financed a good deal of the work himself, through sale of ceramic powders that his laboratory staff produces in a small plant, to other government industrial bodies.

Merzhanov now works directly with the Soviet Ministry of Tank Production, which is reportedly interested in the technology for machine tool applications. The Soviet program has apparently gone through two stages. First, from the 1960s to 1977, Merzhanov and his staff developed the production of ceramic powders. This is now a commercial industrial process in Russia. Since 1977, Merzhanov has placed his emphasis on combustion synthesis of finished parts and castings. In the course of this, he has developed a process for simultaneously producing parts of high quality, by surrounding them with a reaction process producing a ceramic powder. This process is known as the "chemical furnace."

Los Alamos National Laboratory has now confirmed the Russian claims, and other national labs have discovered that the ceramic powders produced in Russia are equal in quality to the best U.S. or Japanese powders, but with a production cost about two-thirds less. According to an industry newsletter, *High Tech Materials Alert*, the Japanese have begun to master the technology; Osaka University and Sumitomo Electric Industries are reportedly close to commercializing fabrication of engineering-quality ceramic parts, using self-

propagating high-temperature synthesis under high pressure.

DARPA is apparently convinced that the process can be immediately commercialized in the United States, and that there is no need to await further research. Systems Planning Corp. has been entrusted with transferring the technology to U.S. industry.

Self-propagating high-temperature synthesis approximates a perfectly ordered industrial process. That is, it exploits properties of nature that can only be mastered under specific conditions of the ordering of technology. It has the unusual characteristic that it releases more energy than it consumes; in the process reactors that the Soviets are now building, thousands of times more energy. **Figure 2** shows the basic physical properties of self-propagating high-temperature synthesis, and some examples of the energy transformation rates of SHS processes (expressed in output per kilowatt-hour). These figures represent only those conditions attained so far. The potential energy transformation rate is unlimited.

One of the most impressive characteristics of self-propagating high-temperature synthesis, is its universality. The method can produce not only ceramic powders and parts, but also ceramic castings, and can be used for welding, industrial equipment repair at the factory site, and surface hardening of industrial equipment, such as turbine blades. **Figure 3** lists all SHS applications, with examples of the products and services provided.

Present U.S. technology for both ceramic powder and parts production is antiquated. Typical processes for powder production use industrial furnaces that are run in batch cycles that take days. The compound is retrieved from the furnace

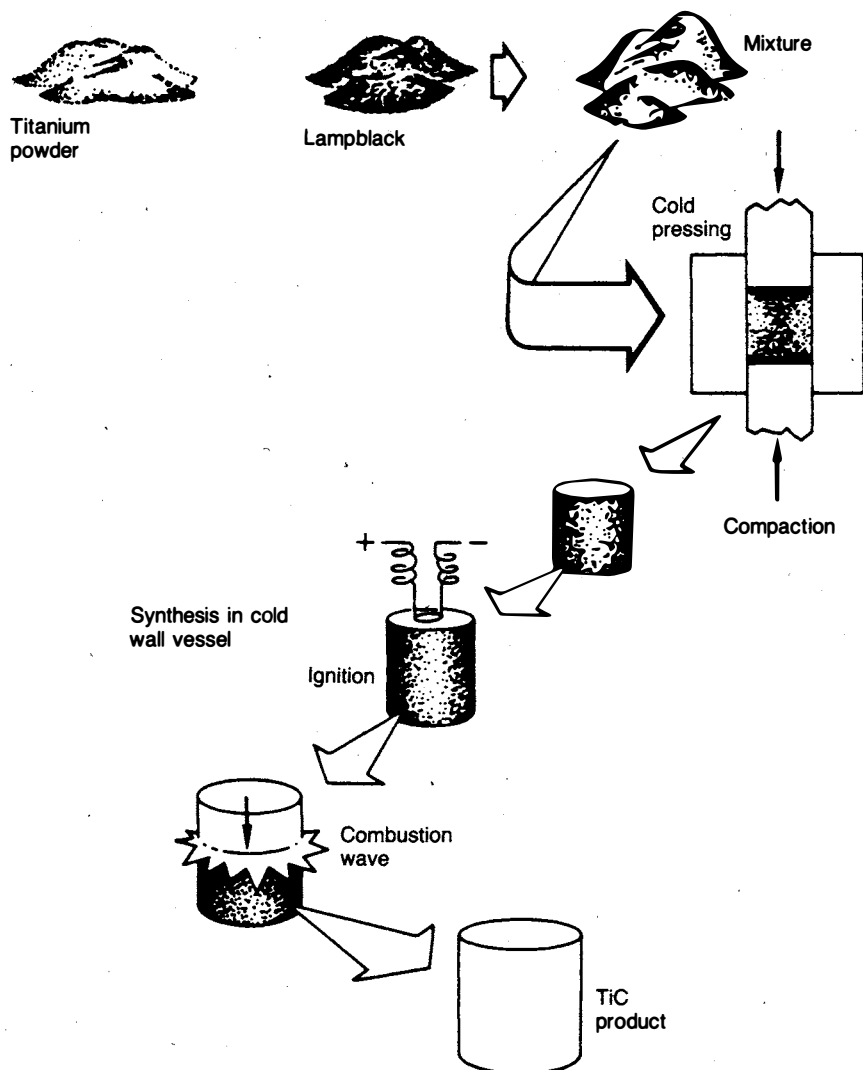
in the form of a clinker that must then be ground and crushed to produce the end-product powder. This process introduces impurities from the grinding equipment, which must then be leached out chemically.

Typical of these, is the Acheson process for production of silicon carbide. In this process, invented a century ago by Edward Acheson, pure glass sand (silica) and high grade petroleum coke are mixed and poured into an electric "Acheson furnace." Current passed through the mixture between graphite electrodes, reacts the material to form a silicon carbide ingot. Sawdust must be mixed in with the silica and coke

to provide pores for the escape of carbon monoxide gas. The process liberates 1.4 tons of carbon monoxide for every ton of silicon carbide produced. Early in a run, the furnace operator will take a long pole with a torch on the end, and hold it up to the side of the furnace, to ignite the CO and reduce the hazard of explosion or asphyxiation. A typical run takes 36 hours, and then the ingot must be cooled for 24 hours and ground into powder.

Ceramic part production technologies are in just as bad shape. The most advanced is known as injection molding. In this process, ceramic powders are molded with a wax into

FIGURE 1  
Production of ceramic parts



*Self-propagating high-temperature synthesis can produce finished ceramic parts in a simple and rapid process. First, powders of elements (such as titanium and carbon) are mixed in the ratio appropriate to a desired ceramic compound (e.g., titanium carbide). Then the powder mixture is pressed into the shape of the desired finished product. A small quantity of electricity is passed through the mixture to ignite the reaction of molecular fusion of the powder mixture; the reaction then propagates as a combustion wave through the shape. When the combustion is complete, the part is finished.*

Source: W. Frankhouser et al., Gasless Combustion Synthesis of Refractory Compounds, Noyes Publications, Park Ridge, N.J., 1985

the desired shape, in a machine similar to the kind used for plastic injection molding; this process takes about a minute. However, the part must then be processed through an oven for three days to remove the wax binder, and then be fired in a high-temperature furnace over a period of two days, before complete. Two of the days of the five-day cycle are required to allow semi-finished products to cool.

### The Advanced Refractory method

Recently, Advanced Refractory Technologies, Inc. of Buffalo, New York, has commercialized a more modern, *continuous* process for ceramic powder production. Figure 4 shows that, in terms of labor productivity, the process developed by Advanced Refractory is competitive with SHS. It has the additional advantage that it does not require expensive powders of the elements to combine into the ceramic compound, but can use simple, abundant oxides (such as silica, or titania) in the feedstock for powder production.

In the case of silicon carbide powder production, as described in a lecture by Harvey Blakeley of Advanced Refractory:

Silica sand and graphite are first mixed together with binders to form an intimate mixture. This feed is then introduced into an electric furnace at about 2,000°C. The feed material instantly reacts to form silicon carbide and carbon monoxide. The CO is exhausted out of the furnace, and burned much the same way as

volatiles are at cracking plants in the refinery industry. The silicon carbide exits the furnace as additional feed is introduced.

Advanced Refractory has used their proprietary process to produce and market powders of:

- boron carbide
- silicon carbide

FIGURE 2  
**Physical parameters of self-propagating high-temperature synthesis**

Basic physical parameters		Output per kwh
Energy flux density applied	$2 \times 10^9 \text{ W/m}_2$	Potentially infinite
Released (TiC)	$10^9 \text{ W/m}_2$	
Ignition energy required	7-14 Whrs	
Energy released (TiC)	850 Whrs/kg	
<b>Examples</b>		
Ceramic powders		
Titanium carbide	3 tons (30 kg batches)	
<b>The chemical furnace</b>		
Tungsten carbide parts and titanium carbide powder	0.4 tons (batches of 3 1-kg parts and 1.5 kg powder)	

Sources: J. Holt & Z. Munir, "Combustion Synthesis of TiC," Los Alamos National Laboratory, pre-print, Dec. 1984; Systems Planning Corp., "Advanced Materials Technology Project Semi-Annual Technical Report," DARPA Report Nos. SPC 1059 June-Nov. 1984, SPC-1086 Dec.-May 1985; Frankhouser et al., Gasless Combustion Synthesis of Refractory Compounds.

FIGURE 3  
**Products produced by self-propagating high-temperature synthesis**

- 1) **Ceramic powders**

titanium carbide	silicon nitride
zirconium carbide	tungsten carbide
boron carbide	various hydride powders
titanium carbonitride	sulfide and selenide powders
- 2) **Finished ceramic parts**
  - High-temperature industrial heating elements
  - Titanium nickelide wire, plate, tubes used aboard Soviet aircraft
  - Titanium carbide cutting tools
- 3) **The chemical furnace: simultaneous production of ceramic and metal-alloy finished products and powders**

Part compound	Powder product
Tungsten carbide	Titanium carbide
Tri-molybdenum silicide	Titanium silicide
Tantalum carbide	Titanium carbide
Tantalum dicarbide	Titanium carbide
Tri-niobium aluminum	Aluminum nickelide (pelletized)
Tri-niobium germanium	Aluminum nickelide (pelletized)
Copper aluminum	Titanium diboride
Di-copper aluminum	Titanium diboride
- 4) **Gasless combustion ceramic castings**
  - Bi-layer pipe
  - Castings of 94 different compounds have been made, including:
    - chromium molybdenum carbide
    - titanium nickelide
    - borides (e.g., molybdenum boride)
    - carbides (e.g., tungsten carbide)
    - silicides of niobium, vanadium, etc.
    - various complex compounds (e.g., molybdenum boronitride)
- 5) **Explosive welding**
  - Bonding of double-layer pipe
- 6) **Industrial equipment repair**
- 7) **Surface-hardening with SHS coatings**
  - Turbine blades

Source: Frankhouser et al.



FIGURE 4

### Comparison of SHS with other existing ceramic powder and ceramic part manufacturing methods

	EFD (W/m <sup>2</sup> )	kg/kwh	Process Time	kg/ manhour	kg/ m <sup>2</sup> -hr.	kwh/ manhour
<b>Ceramic powders</b>						
SHS	10 <sup>9</sup>	3,000	Minutes	45	1,900	0.015
Advanced refractories	3 × 10 <sup>5</sup>	0.083	Minutes	30 <sup>1</sup>	60	375
Acheson process	10 <sup>5</sup>	0.28 <sup>2</sup>	3 days <sup>2</sup>		4	
<b>Ceramic parts</b>						
SHS	10 <sup>9</sup>	10,000	Minutes			
Injection molding	10 <sup>5</sup>	1	5 days			

<sup>1</sup>Based on one operative tending six furnaces, each with an average output of 5 kilograms per hour.

<sup>2</sup>Includes energy consumption and process time only up to production of silicon carbide ingots.

Sources: Advanced Refractories Inc.; Battelle Columbus Laboratories; "Breaking the Mold," Technology magazine, Nov.-Dec. 1981; J. Holt & Z. Munir, "Combustion Synthesis of TiC"; Systems Planning Corp., DARPA Report Nos. SPC 1059, SPC-1086; Frankhouser et al.

silicon nitride  
titanium carbide  
titanium diboride  
zirconium carbide  
zirconium diboride

Many of these materials are used for the fabrication of parts for nuclear power plants.

The Advanced Refractory unit furnace has a rated power of about 60 kilowatts with a volume of about three cubic feet. Depending on the ceramic powder being produced and other conditions, the unit can yield 1 to 10 kilograms of powder product per hour. Only a few hundred grams of material are inside the reactor at any one time. According to Keith Blakeley of Advanced Refractory, one operator could run six furnace modules, and each module can produce 25 tons per year with three work shifts in a five-day work-week. He adds that a fully automated plant could produce 2 million tons of powders per year, with a total workforce of only 15 persons, but present production volume would not require this.

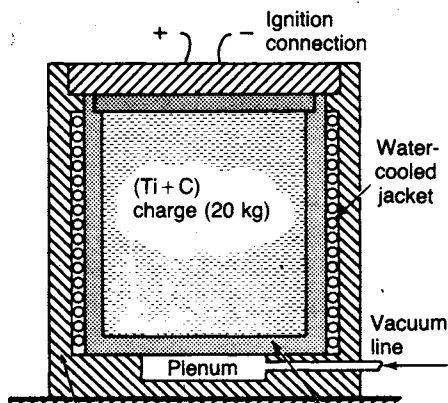
### Comparative advantages of SHS

Nonetheless, the data of physical economy shown in Figure 4 show that when all criteria are taken into account, self-propagating high-temperature synthesis is a more advanced species of ceramic powder and part production.

- 1) Its *energy flux density* is orders of magnitude higher than other processes.
- 2) Its *energy transformation rate* (output per unit of energy consumption) is orders of magnitude greater than other processes.
- 3) Its *process time* for part production is orders of magnitude shorter than that of injection molding.
- 4) The reactor *throughput rate* is orders of magnitude greater than conventional processes, and even 30 times that of Advanced Refractory's.

FIGURE 5

### Soviet synthesis of titanium carbide powder



*Self-propagating high-temperature synthesis was first developed in Russia for the production of ceramic powders. The process is similar to that for part production (Figure 1). First, powders of elements, such as titanium (Ti) and carbon (C), are mixed in the ratio appropriate to a desired ceramic compound (e.g., titanium carbide). Then the powder*

*mixture is placed in a reaction vessel. A combustion wave of molecular fusion is ignited with a small quantity of electricity applied to the powder mixture through the walls of the vessel. When the combustion is complete, the ceramic powder is allowed to cool for a few minutes and then retrieved from the vessel.*

Source: Frankhouser et al.

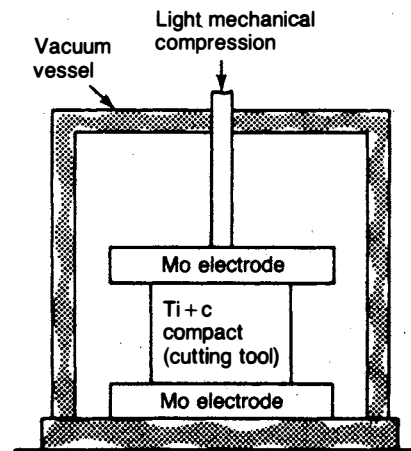
It is particularly interesting to note, that SHS provides an example of a process that is so highly organized, that the *energy applied per operative* declines dramatically, though the energy flux density applied increases.

**Production of ceramic powders:** The process begins with powders of the elements (or molecules) to react, mixed in an appropriate ratio, and placed into a reaction vessel filled with an inert, oxygen-free atmosphere. (For production of titanium carbide, a mixture of titanium and carbon powders is used.) Electrical energy (about 10 watt-hours) is applied to a portion of the material near the surface, through a tungsten wire or graphite strip (Figure 5). This small amount of energy excites the exothermic (energy-producing) reaction of formation of the molecular compound desired. The reaction then propagates completely through the mix. The energy *released* is about 850 watt-hours per kilogram of reacting material. It would be difficult to construct a case where the energy released was less than the energy applied. In fact, it is not out of the question that some electric power could be produced with SHS, in the course of producing ceramic materials and parts. The greater the quantity of the reactant, the faster the reaction proceeds and the purer the product.

One advantage of SHS, is that the reactants achieve a high temperature quickly and cool down quickly, as they

FIGURE 6

### Increased pressure boosts quality of product



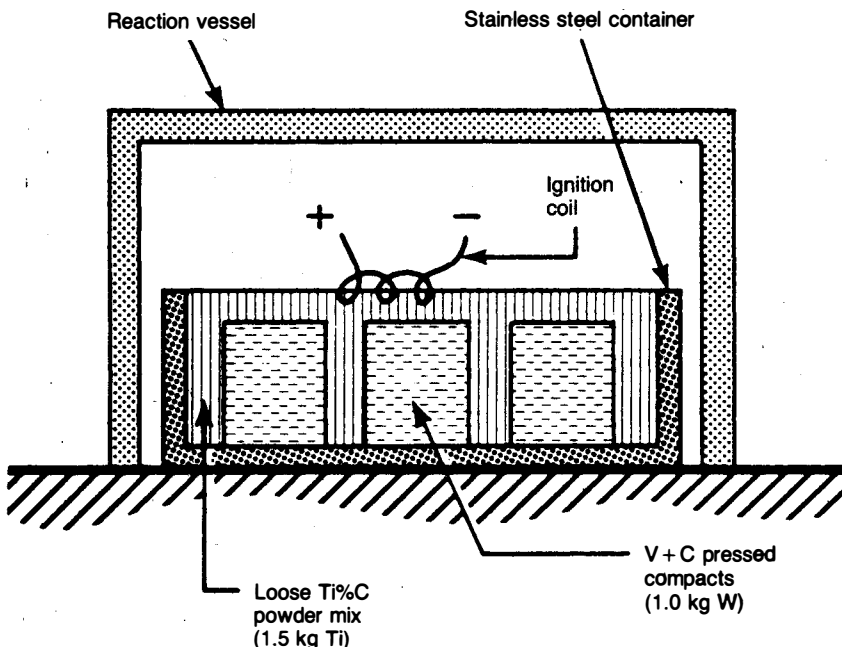
*Mechanical application of light pressure in self-propagating high-temperature synthesis of ceramic parts, can improve the quality of the product. The figure shows two molybdenum electrodes applying pressure to a pressed shape of titanium (Ti)*

*and carbon (C) powders for a cutting tool. The initiating current is also passed through the electrodes.*

Source: Frankhouser et al.

FIGURE 7

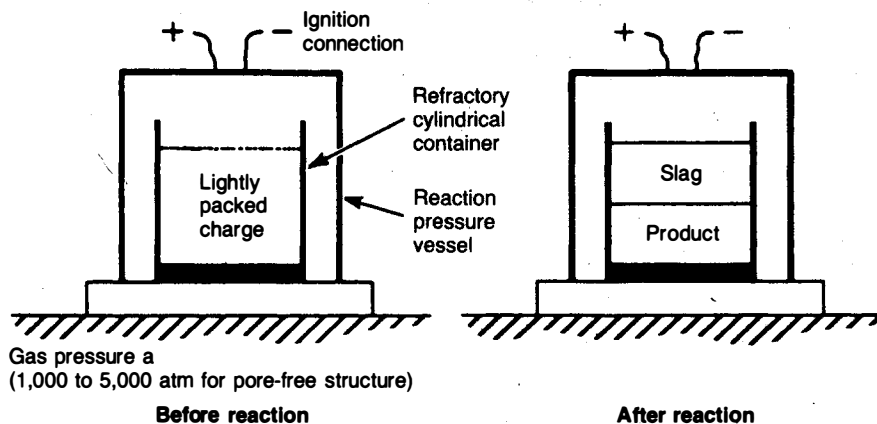
### The 'chemical furnace'



*The Russians have extended self-propagating high-temperature synthesis of ceramic parts to compounds whose reaction rate is relatively low, which presents some difficulties to ordinary SHS part production methods. The process, known as the "chemical furnace," combines ceramic powder and part production; pressed shapes of powders for parts are placed in a vessel, and then covered with a powder reactant mixture whose reaction proceeds faster than that of the powders making up the pressed parts. In the figure, three 1-kilogram titanium carbide shapes are surrounded by a 1.5-kg blanket of tungsten and carbon powders that is ignited, and reacts to form tungsten carbide, and drives the synthesis of the titanium carbide parts.*

Source: Frankhouser et al.

FIGURE 8  
Ceramic castings



*In addition to parts production, the SHS process that promises the biggest "pay-off," is self-propagating high-temperature synthesis of ceramic or metal alloy castings. As shown in the figure, a reaction vessel is loaded with a mixture of a metal oxide (e.g., chromia), powders of elements the metal is desired to combine with (e.g., carbon and molybdenum) and a reducing agent (e.g., aluminum). SHS is initiated as usual, but the product is a casting. A slag of the oxidized reducing agent (in the case shown, alumina) floats above the product.*

Source: Frankhouser et al.

impart their energy to adjacent reacting material. This minimizes crystal grain growth, whereas in the slow-cool Acheson process, crystal growth is maximized.

SHS has produced powders in batches of tens of kilograms. The set of three 16-liter reactors referred to above, can provide a continuous output of 90 kilograms per hour, and require two operatives per shift to supervise the reactors and reload them. The three-reactor set occupies approximately six square meters of floor space. John Kiser, a former State Department official, licenses the reactors in the United States. Their size ranges from 2.5 to 30 liters. The powders are used for the fabrication of ceramic parts in the conventional way, or for lubricants, electrolytes, and for grinding and polishing applications. The Russians have replaced tungsten with SHS-produced titanium carbide in cutting tools, and also fabricate it into industrial diamonds. Silicon nitride is used for rocket nozzles and ceramic auto parts, and supercanthol for high-temperature industrial heating elements.

**Finished parts:** In this application, the elemental powders are pressed into the shape of a final product, as is done in powder metallurgy. The ignition energy is then applied to the surface of this so-called green compact part. The application of pressure to the combusting green compact may improve the quality of the result (Figure 6). With this technique, up to 96% theoretical densities have been achieved for titanium carbide tool bits. The larger the part, the faster the reaction rate and the better the quality of the product.

Parts produced with SHS include titanium nickelide wire, plate, and tubes used aboard Soviet aircraft for fuel and air lines; this material is produced in batches of hundreds of kilograms. High-temperature industrial heating elements are made from molybdenum silicide and titanium silicides. Other products are synthesized from borides, carbides, nitrides,

ferroalloys, and master alloying compounds used in specialty steel-making. Because of classification restrictions, the details of physical economy for this process and for the chemical furnace are not available.

**The chemical furnace:** In this self-propagating high-temperature synthesis process, pressed powders for parts are placed in a vessel, and then covered with a powder reactant mixture whose reaction proceeds faster than that of the powders making up the pressed parts (Figure 7). In one example, three 1-kilogram titanium carbide "green compacts" are surrounded by a 1.5-kg blanket of tungsten and carbon that is ignited, and reacts to form tungsten carbide and drive the synthesis of the three titanium carbide parts. Other examples are shown in Figure 3.

**Gasless combustion castings:** Ceramic casting is the latest technology development in self-propagating high-temperature synthesis, and is apparently still in the research and development stage. In this process, SHS ignition of exothermic reactions produces a reaction of a metal oxide with carbon or some other material, while magnesium, aluminum, or zirconium serves as a reducing agent. The process produces a slag of alumina, magnesia, or zirconia, in molten form, above the cast product (Figure 8). Of course, this slag can itself be a useful material. Figure 3 lists castings made with this process. Castings can be made without pores, if produced under elevated pressure or centrifugal conditions. Products produced with this method include bi-layer pipe. An appendix to *Gasless Combustion Synthesis of Refractory Compounds* lists 94 compounds of which the Russians have made castings.

**Portable ceramic equipment repair technology:** SHS electrodes and powders can be taken to the site of a ceramic fracture, and applied to repair the defect.



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## Letter to the Editor

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### Laser optics and defense

In a recent article in *EIR*'s Science and Technology Section,<sup>1</sup> Mr. R. Gallagher uses some of my work<sup>2,3</sup> in his crusade against what he calls the "optics community" opposition to the Tactical and Strategic Defense Initiative programs (TDI and SDI). It is not my intention to take part in this controversy but, since some of my results were discussed, I would like to comment briefly.

For the most part, the article quotes correctly the findings of my experiment but it extrapolates their significance much beyond my own analysis of Refs. 2 and 3. My experiment is a laboratory simulation performed at a power level that does not alter the target. While I remain fully confident in the validity of my results, they are only indicative of a problem and cannot by themselves justify the type of conclusion developed by Mr. Gallagher. Full-scale experiments in the real atmosphere at powers representative of weapon systems would have to be undertaken. My work raises a valid question but does not provide the universal answer implied by Mr. Gallagher's article. I believe the situation is a lot more complex.

I, of course, do not challenge Mr. Gallagher's right to his own interpretation of published data. I simply object to part of his style which leaves the impression that I concur with his position. In particular, a sentence such as "Bissonnette argues that Fried's definition of coherence length is an artificial construct that . . . does not hold for nature" credits me with a sententious assessment I disagree with, and definitely not extracted from my publications.<sup>2,3</sup>

L. R. Bissonnette  
Defence Research Establishment  
Valcartier, Quebec, Canada

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### The Author Replies

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Mr. Bissonnette's work has been ignored by the American optics community; they do not recognize the validity of his results. I disagree with them intensely, and uphold the validity of his work, and its consequent relevance to our strategic defense. I apologize if inadvertently I have in any way appeared to attribute my own conclusions to Mr. Bissonnette.

I agree that "full-scale experiments in the real atmosphere at powers representative of weapons system" must be undertaken. Unfortunately, neither the Canadian nor U.S. governments are deliberately funding such experiments to test the validity of Bissonnette's work. However, quite by accident, some tests conducted by the Office of the Strategic Defense Initiative (SDIO) over the past few months, have also shown that laser beam propagation through the atmosphere and imaging a target through turbulence, are not the difficult matters that Mr. Fried imagines them to be, and this constitutes partial confirmation of an extension of Bissonnette's results to militarily significant power levels.

Robert Gallagher

- 
1. R. Gallagher, "Laser Optics for the Defense of Europe and Asia," *Executive Intelligence Review*, Vol. 12, No. 49, pp. 20-27, Dec. 13, 1985.
  2. L. R. Bissonnette, "Adaptive Optical System Referencing in the Case of Resolved Targets Illuminated Through Turbulence," *Applied Optics*, Vol. 21, No. 22, pp. 3998-4004, Nov. 15, 1982.
  3. L. R. Bissonnette, "Outgoing-Wave Adaptive Optics Systems: Error Sensing Method in the Case of Extended Targets in Turbulence," *Proceedings, Society of Photo-optical Instrumentation Engineers*, Vol. 365, pp. 32-41 (1982).

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## Economic blowout in 1986: the real State of the Union

by Lyndon H. LaRouche, Jr.

*We print here an edited transcript of Mr. LaRouche's State of the Union message, which LaRouche—the only announced candidate for the 1988 Democratic presidential nomination—delivered Jan. 29 in Arlington, Va., to an audience of 150 congressional candidates, diplomats, government officials, and press.*

In the main, today, I shall concentrate on the problem of the U.S. economy. But before doing so, I'll just make a number of general remarks on the setting in which the problems of our economy are located.

First of all, today, Soviet General Secretary Mikhail Gorbachov should be very happy, looking at the U.S. economy. With Gramm-Rudman, unless it is promptly repealed, and with a terrible, but less-noticed, tax-reform bill, these two combined measures—unless repealed—will blow out the U.S. economy during 1986. And President Reagan, under such conditions, would be very lucky to compare himself with Herbert Hoover. This means that at present, in terms of our defense, the gut of the logistical capability of the U.S. defense forces is being destroyed right now, as a result of the first round of Gramm-Rudman. This makes Gorbachov very happy.

As of Oct. 1, approximately, of this year, when the second round of Gramm-Rudman occurs, probably U.S. troops will be pulled out of Europe, entire units of the U.S. military will be shut down; there will probably be \$50 to \$60 billion cut from the U.S. defense budget this year, in terms of pullbacks, because the Congress and the President have misestimated the U.S. federal deficit, by probably \$50 to \$70 billion. That is, at the present rate—and it should be apparent by this fall, even to idiots in the statistical bureaus in Washington—that the U.S. federal deficit will not be \$220 billion; it will be closer to \$270-\$300 billion, for this year.

### **The decade the United States withdrew from world power**

Future historians, if there are any, will say of this past 10-year period, since 1975, that the United States, which was once a great and dominant power, over a period from 1975 to 1985, withdrew from the position of being a world power;



*President Reagan has not caused the economic crisis, says LaRouche; in fact, the economic policies of the Reagan administration are a continuation of those dictated to the Carter administration by Paul Volcker and company.*

abandoned its friends abroad, while ruining their economies and undermining the stability of their governments as we withdrew; and withdrew back to the Western Hemisphere, where we occupied ourselves by shooting our neighbors to our south; and in the power vacuum we created, if this continues, the Soviet empire took over domination of the world, and dominated the world for two, three, or more generations thereafter.

That is the ugly reality of the past 10 years, since the 1975 Rambouillet summit and the negotiations of SALT II. President Reagan has not caused the disaster; as a matter of fact, in economic policy, despite all the talk, President Reagan has done absolutely nothing. Reaganomics does not exist; it is merely rhetoric. It has nothing to do with what goes on in the Congress or the administration. The policies of the Reagan administration are nothing but a continuation—in economics—of the policies of the Carter administration. The President has merely continued the policies, and has added the name Reaganomics to it. But it's the same policy. This policy was written down for Carter, under the direction of Cyrus Vance, Zbigniew Brzezinski, and similar fellows, back during 1975 and 1976, in a series of studies called Project 1980s; these are the policies upon which the U. S. government has been operating ever since Jimmy "Cricket" Carter was elected. And Reagan has merely continued the follies of his predecessors. He has invented no policies of his own.

So, the President is no more to be blamed, for the depression which his policies are threatening to bring about now, than Herbert Hoover was to be blamed for the policies of Calvin Coolidge; he had merely continued them—although

the President has taken longer about it than Hoover did. Hoover blew up the economy within a year. It took Reagan five years; he's a slow man.

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 bill is repealed.

Now, what I'll do is this: With the aid of a series of charts, I shall indicate what the general nature of our domestic problem is; and having gone through that, then I shall turn to some more charts, and I shall use the case of Ibero-America—that's the part below the Rio Grande, in this hemisphere—to indicate the nature of the policies, and problems, which affect the entire so-called developing sector: South America, Asia, and Africa.

### **Contraction in real production**

What you are looking at here (**Figure 1**), is the contraction in real production in the United States since 1979-1980. Look at this as a slice down through a cylinder, a cylinder that is collapsing at the top, and you're looking at a side view of that slice. The cylinder represents volume of output, or volume density of output, in the U.S. economy. This calculation is based on using 1967 figures, for market-baskets of household goods and producers' goods, and comparing the total production of the United States in the succeeding years, with that 1967 market-basket. Since 1979, and particularly since about February of 1980, the U.S. economy, the pro-



FIGURE 1

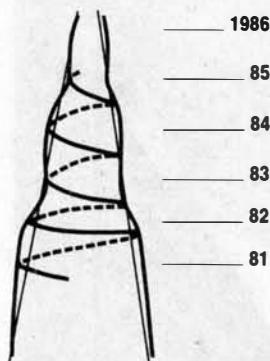
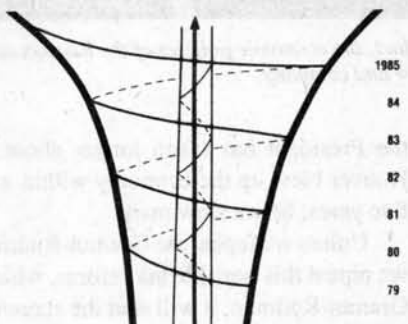
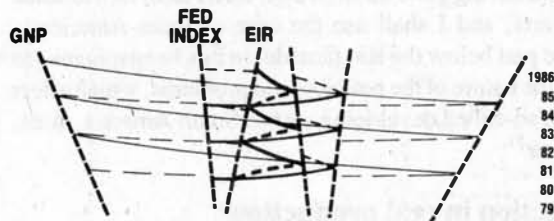


FIGURE 2



EIR's market basket of production and household maintenance versus their monetary equivalent

FIGURE 3



duction, agriculture, industry, and related output of physical goods, has been contracting, in a step function.

In the next slide (Figure 2), imagine that you are looking at a slice down through a cone, a somewhat distorted cone, which is standing on its point, like a child's top, which is spinning. And you are looking at a slice down the middle of that cone. The outside two lines represent the exterior surface of this cone. That is, GNP, as reported by our ever-loving

government. Then inside, the cylinder that you see in the center, in the middle of this cone, corresponds, approximately, to the Federal Reserve Index, which is very close—a little larger, as you'll see in a moment—but close to the actual output.

So what has been happening is, that even by Federal Reserve figures, as well as by calculations based on a 1967 market-basket, the U.S. economy has been stagnating and contracting, actually through the 1970s, but especially since 1979. Meanwhile, the GNP has been expanding. So, the GNP, in monetary terms, has been growing, while the real quantity, density of production of goods, has been stagnant and actually contracting.

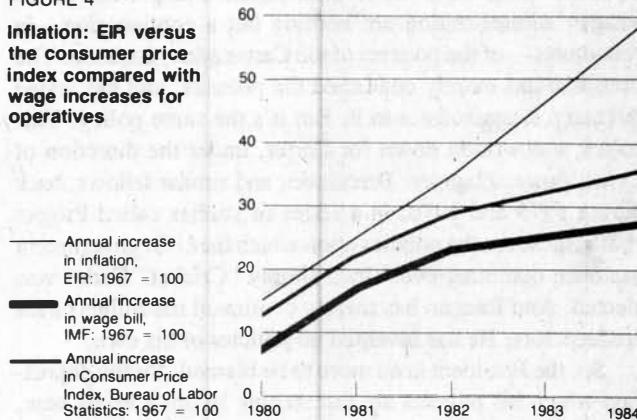
Next (Figure 3), here is the contrast of the three figures—the same thing—1979 to the end of 1985. The two outside lines, are GNP. Now, imagine you're looking at the volume of GNP, represented by this growing cone. The next part is, as indicated, the federal industrial index. The inside, is the actual growth, or the contraction, of production.

### The real rate of inflation

Now we'll go to the next one (Figure 4), and we'll see what the significance of this is. You were told that, as of the end of 1982, U.S. inflation went from double-digit inflation down to single-digit. And you will be told, if you read certain reports, including the Congressional estimates on which Gramm-Rudman is based, that we're headed down from 7% to about a 4% rate of inflation. The truth is, the rate of inflation was 10% in 1982. It is at this moment, 14%. It rose from 10%, in 1982, to 11%, to 12%, to now 14% per year. The United States government, the Reagan administration, never lowered the rate of inflation. Except for 1982, almost a depression year, inflation has grown, under the Reagan administration, and is currently at about 14%. You can see that, by looking at the comparison of real production, as

FIGURE 4

Inflation: EIR versus the consumer price index compared with wage increases for operatives





against GNP. Divide GNP by real production, and the change in that ratio is actually the indicator of the real rate of inflation.

In other words, with the money circulating around, how much goods does it buy? If you have less goods, and more money in circulation—which is what GNP measures; the number of sales, or net sales—that gives you the rate of inflation. And the rate of inflation of the United States now, as of the end of 1985, was 14%. There may be a little argument here and there because the GNP figures are not quite that accurate, but they're as accurate as any figure by the government could be—14%. If the government says less than 14%, they're lying to you, because their own figures give that 14% rate.

What this means is, that we in the United States are spending more than we are earning. Now, where is the "more" coming from? We're getting more money to spend, because we're borrowing more: consumer credit, government credit, other kinds of credit, phony credit—that is, credit that doesn't really exist, but people assume it exists—plastic money, and so forth. So we've been going into debt, to buy more than our income would warrant our buying. Part of what we've been buying, is imports. And this is indicated by the same period, the same Reagan period, which is really the Volcker period: The U.S. trade deficit has been growing (Figure 5).

Now, some people say that this is because the U.S. economy and the U.S. dollar are not competitive. That's bunk. There are people in the Congress who say that next year, because of the falling value of the dollar, the dollar will become more competitive, and therefore, we'll sell more exports. That's bunk! Unless we collapse in 1986—which we probably will, at the present rate—the U.S. trade deficit will increase. That is, unless our consumption collapses, our trade deficit will increase. And the talk about a more competitive dollar is a lot of bunk; it has nothing to do with it, as you'll see in the next figure.

## Steel

During the 1970s, the United States reached a capacity for new steel production of about 140 million tons a year. Since that time, our steel consumption requirements have dropped (Figure 6). In the recent two years, United States steel consumption, has dropped to about 90 million tons a year—in the 90s. But our production capacity, to produce new steel, has dropped from approximately 140 million tons during the 1970s, to 40 million tons today! The difference between the 90-odd million tons that we're consuming, and the 40 million tons that we're producing, is made up by the combination of remelting old scrap—if you find your missing false teeth in the front of your new car, that's why—plus imports. Where are we importing steel from? We're importing from Mexico; we're importing from Brazil. We are not primarily importing from Japan, except certain categories that we don't make. But for low-grade, raw steel production,

FIGURE 5

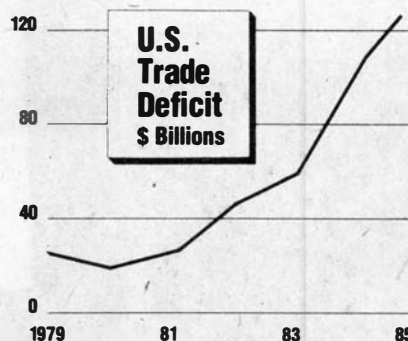


FIGURE 6

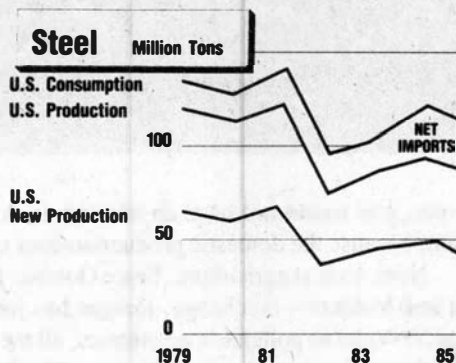
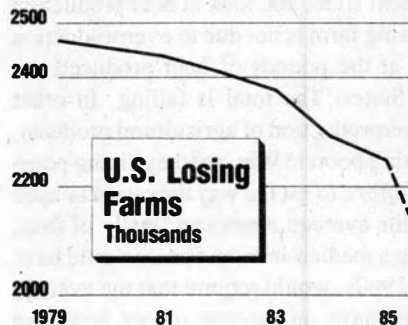


FIGURE 7



we are importing from the poorest countries in the world that make steel.

The reason we're importing, is not because we're not competitive, but because we don't produce. We import because we desire to consume, not because foreign industry is competing with U.S. domestic production. The U.S. domestic production does not exist. So that if you cut out the im-



NSIPS/Stuart Lewis

*Under current conditions of collapse, farmers can no longer afford to produce, and the average American family can no longer afford to eat at the levels which prevailed during the 1960s. The farm shown here is near Hamilton, Virginia.*

ports, you would not have an increase in domestic production, because the domestic production does not exist!

Next, look at agriculture. Since October 1979, with Carter and Volcker—no change, Reagan has just continued the Carter-Volcker policies in economics, all the way through—the farm sector has been collapsing. The figures speak for themselves; there's no need to go into them (Figure 7).

### Agriculture

Let's go on to the next slide, and look at beef production (Figure 8). The collapsing farm is not due to overproduction of food—a lie! Look at the pounds of beef produced per person in the United States: The total is falling. In other words, the so-called overproduction of agricultural products, is due to Americans eating poorer! Why are they eating poorer? Because they can't afford to eat the way they used to back in the 1960s! To feed the average American family of four, on the standard of living a median-income family would have maintained during the 1960s, would require that the average American family today have an income of not less than \$40,000 a year. It would take a \$40,000-a-year income, to raise a family of four by the standards of a household of the 1960s. So what is happening, is that our production is being cut, which means our diet is being cut.

On to the next slide: During this present year, 1986, according to Department of Agriculture plans, you may expect that the production of wheat will go down 25-30%; expect rice production to drop by 25-35%; expect similar drops in other grains, with about a 20%, to maybe a 25% drop, in feed grains—that is, the grains which are fed to

animals, chickens, and cows and so forth. You are going to eat more potatoes, more of other kinds of roots. And if you want to know what kind of society eats roots, rather than what Americans used to eat, look at the dietary table for Africa. You're going to eat like black Africans—at least that's the direction we're heading in. And that is why there is less production of food: not because there is excess production, but because there is underconsumption. Because under these conditions of inflation, under these conditions of collapse of the economy, the average American can no longer afford to maintain even close to the standard of living that was accepted during the 1960s into the early 1970s.

### The banking system is collapsing

Our banking system is collapsing (Figure 9). The line indicates the rate of bank closings over this period—you see, it took off in '81, to greet President Reagan, and now it is zooming. At present, the current liabilities of U.S. commercial banks are about two and one-half times the size of those banks' current assets. In other words, the entire U.S. private banking system, as a whole, is presently bankrupt. And most of that developed since 1979, because President Reagan did not fire Volcker and his policies in 1981, but decided to continue the Carter policies.

When Carter left office, he left the United States with an \$800 billion federal debt, approximately. By the end of this fiscal year, the United States will have a federal debt of about \$2 trillion or higher. In other words, Reagan has more than doubled the U.S. national debt. Why? By continuing Carter's policies.

Private debt has pyramided for the same reason. You have not been spending earnings in the past years; you've been spending plastic money. You've been spending credit-card money. You've been spending foreign capital, flowing into the United States at premium rates. You've been spending the money you borrowed from a bank, which borrowed it from a drug pusher, like the Bank of Boston. It is admitted,

FIGURE 8

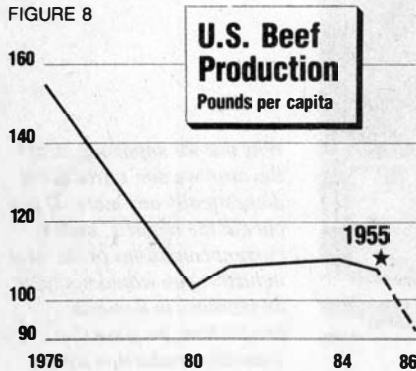


FIGURE 9

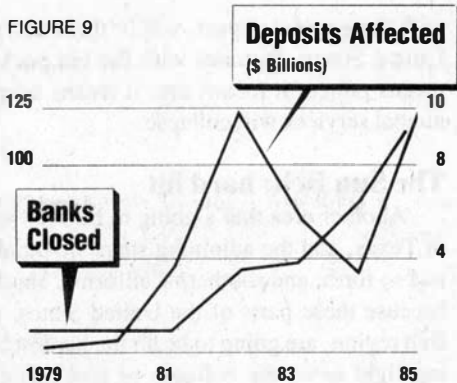
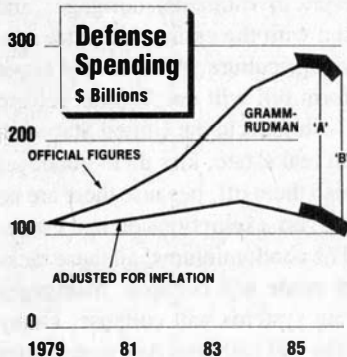


FIGURE 10



that last year \$80 billion of U.S. commercial bank deposits—banks like Citibank, Bank of America, Chase Manhattan, Bank of Boston—\$80 billion of that, at least, was drug money. Which is why Ed Meese is doing nothing about the anti-drug program—because that would mean taking on the banks that he's made a deal with.

That's why they covered up for the Bank of Boston, the biggest drug-pushing bank in the United States. They caught it with \$1.2 billion of drug money being laundered through Crédit Suisse; but they covered it up. And we know how that case developed, how the investigation developed. The Department of Justice did not develop the case, the Treasury Department did; and then the Department of Justice jumped in on the case, and tried to cover up the case that the Treasury Department had developed. And the Treasury Department went after the Bank of Boston, because their statistical survey showed that the New England banking system, particularly the Boston banking system, was the center of the international drug-money laundering in the United States; Florida was a joke compared to Boston. It's the Boston bluebloods; it's Harvard University, Harvard Law School, and that type—which are up to their ears in the drug-trafficking in the United States. And why not? They made their original fortunes with the British East India Company, in the China opium trade, so why shouldn't they still be in the drug business today? They started their family fortunes on it!

So that's the state of our banking system. It's bankrupt! It's not a matter of it being in trouble.

### A Reagan defense buildup? No such thing

Now, look at the effect of this on other things. The official figures on defense (Figure 10): You're familiar with them. The "big buildup in defense under Reagan"—that's the top line. That's taking LSD; you get the top line that way! Now, if you take the actual rate of inflation, and you deflate the defense budget dollars, for the actual rate of inflation, ac-

FIGURE 11

### The Impact of Gramm-Rudman On Non-Defense Spending

		1986 Administration proposals	Gramm-Rudman cut
FEDERAL	1. General science, space, technology	9.5	1.7
	2. Energy	5.1	0.9
	3. Income security	144.1	25.5
	4. Veterans benefits and services	27.4	4.9
	5. Administration of justice	6.5	1.2
	6. General government	5.0	1.2
	7. General purpose fiscal assistance	1.6	0.3
	8. Agriculture	13.0	2.3
STATE AND LOCAL	9. Natural resources and environment	10.9	1.9
	10. Commerce and housing credit	7.8	1.4
	11. Education, training, employment and social services	26.9	4.8
	12. Health	34.7	6.1
	13. Transportation	25.5	4.5
	14. Community and Regional development	5.1	0.9
TOTAL		323.1	57.6





*Why are we importing steel? Because we don't produce it domestically any more. If you cut out the imports, under current conditions in the steel industry, you would not have an increase in domestic production, because the domestic production simply does not exist.*

tually, since 1982, the Reagan administration has been *cutting* the defense budget! There has been no growth in defense, actually, over this period. Inflation has simply eaten up all the so-called increase in defense spending.

Remember that the Soviet Union is spending, on direct military war preparations, \$25 billion a month; that's what's admitted. \$25 billion a month, on direct preparations for war. Not for defense, for *war*! The United States is about to cut out petroleum, bullets, shells, and similar items, from U.S. procurement. So, we'll have an army without gasoline, without oil, without bullets, without artillery shells, and so forth! That is what the initial round of Gramm-Rudman means: They're cutting below the bone! On the next round, in October, unless this thing is repealed, they'll take out \$50-\$80 billion. And that means units, that means the U.S. position in Europe, it means the U.S. position in the Pacific; it means that the military is a hollow shell, what's left of it. And we're headed for a confrontation with the Soviets in the next couple of years. Under these conditions, what's the future of the human race? Unless this is changed, we're gone!

Now, look at the non-defense spending (**Figure 11**). Just to simplify this—it speaks for itself—of about half a trillion dollars a year, on state and local budgets, about \$100 billion comes from the federal government. What's going to be hit? Federal revenue-sharing? Got it! What does that mean? That means, not only programs of the type for which federal revenue-sharing was originally created, at least in words. Localities have been using federal revenue-sharing to carry their operating expenses. What that means is shutting down sections of state and local government! The areas most hard hit,

with the greatest impact, will be the older, major cities of the United States, the ones with the big pockets of poverty. It means police, it means fire, it means hospitals—basic municipal services will collapse.

### **The Sun Belt: hard hit**

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. Hard-hit. Why? Well, because these parts of the United States, the so-called Sun Belt region, are going to be hit the hardest by what's happening right now: the collapse of real estate, the collapse of agriculture, and the dropping of the price of oil on the international market, to now \$10 a barrel, and possibly down to \$5 within this year.

What happens to Texas, Oklahoma, Louisiana, southern California? You have real estate investments, mortgages, and petroleum loans, interlocked with the entire real estate system. So then you pull down agriculture, collapse real estate values—which the tax reform bill will do. The tax reform bill collapses real estate investments in the United States, so if you've got investments in real estate, kiss them goodbye. That tax reform bill will finish them off, because there are no capital exemptions any more, tax exemptions on real estate. Nobody's going to buy it! The condominiums, all these rack-ets—they're finished! Real estate will collapse. Mortgages will collapse. Entire banking systems will collapse. Fanny Mae will collapse. Ginny Mae will collapse. And in the states which have the interlock, in the banking system, between the petroleum loans, the agriculture loans, and the real estate

development loans—where these three factors are concentrated, watch the state go! You could have \$3-\$5 billion wiped out of the income of the state of Texas alone, by these factors. And that's what the effect of Gramm-Rudman is, and the tax reform bill, unless we repeal them. If you don't want these things, then repeal those bills! That's the situation we're in.

### Ibero-America

Now, let's go ahead to Ibero-America, to see who has been subsidizing the United States. Gross domestic product is self-explanatory (**Figure 12**): Ibero-America as a whole, Mexico, Brazil, Argentina—key countries. This slide indicates the debt, the growth of the gross product, and the growth of the debt. The next chart (**Figure 13**) makes it more clear. I've picked the two countries, Mexico and Venezuela, because they're oil-exporting countries; Brazil because Brazil is supposed to be the giant of South America—120 million

people. So, you see what happens, now, to Mexico, which in 1982 signed a deal with President Reagan and the International Monetary Fund (IMF) to destroy its country but to pay its debt, on these terms, based on \$28.20-a-barrel oil. Oil on the international markets, at present, is headed towards an immediate price of \$10 a barrel, which means that Mexico's ability to pay the terms of the agreement with the U.S. Treasury and the IMF, is out the window. Venezuela is in a somewhat better position, because it has more reserves; but that is only for a very short time.

Also, impacted by this, there is a tremendous amount of floating oil reserve in the world today—floating all over the place. It was bought at \$28; it was bought at \$25; it was bought at \$23 a barrel; bought at \$15 a barrel on the spot market, or \$16. It's out there floating. What's that oil worth? Hundreds of billions of barrels of oil—what's it worth today? Ten dollars a barrel!

What is happening to Venezuela, an oil-exporting-dependen-

FIGURE 12

### Ibero-America Gross Domestic Product and Debt \$ Per Capita

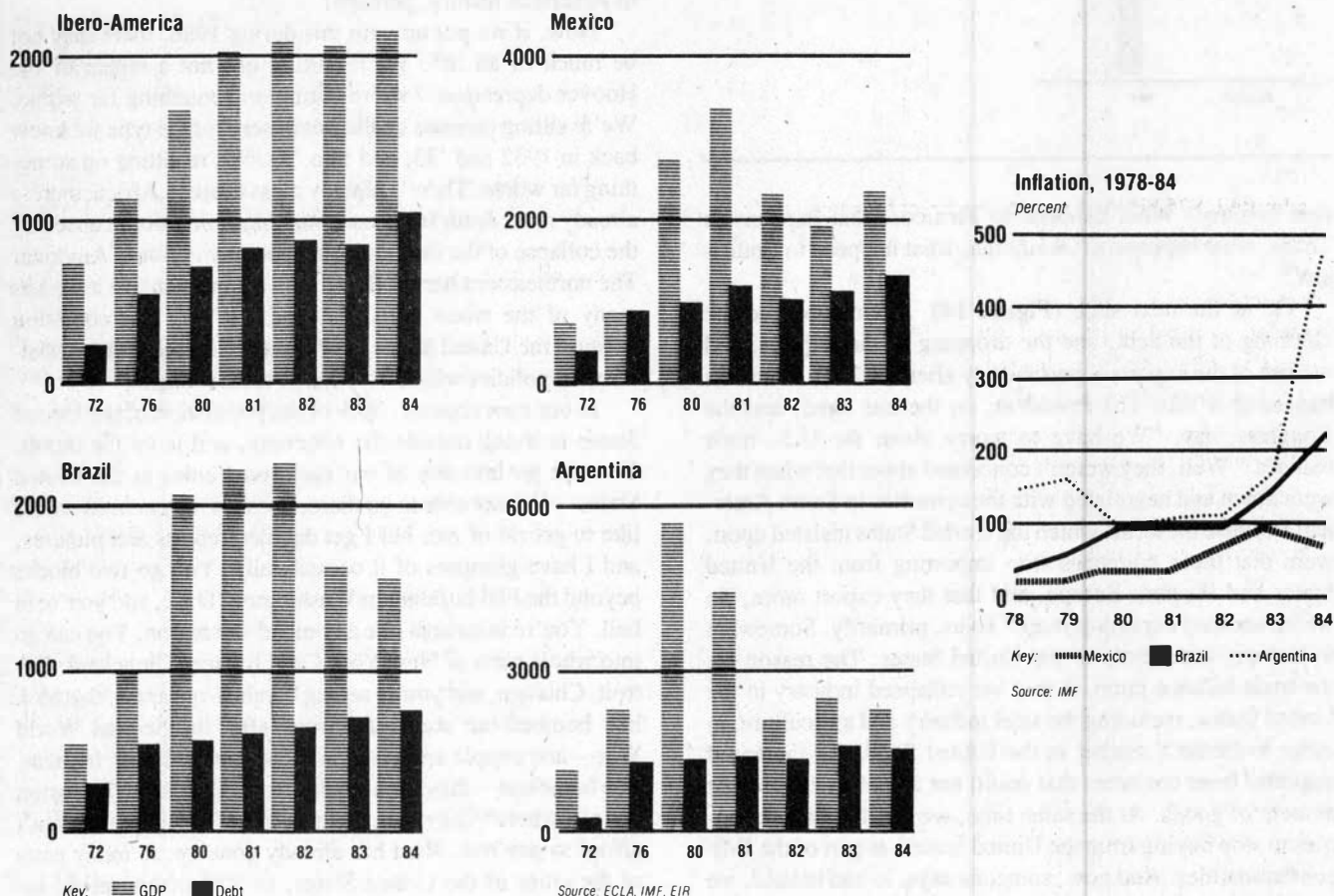
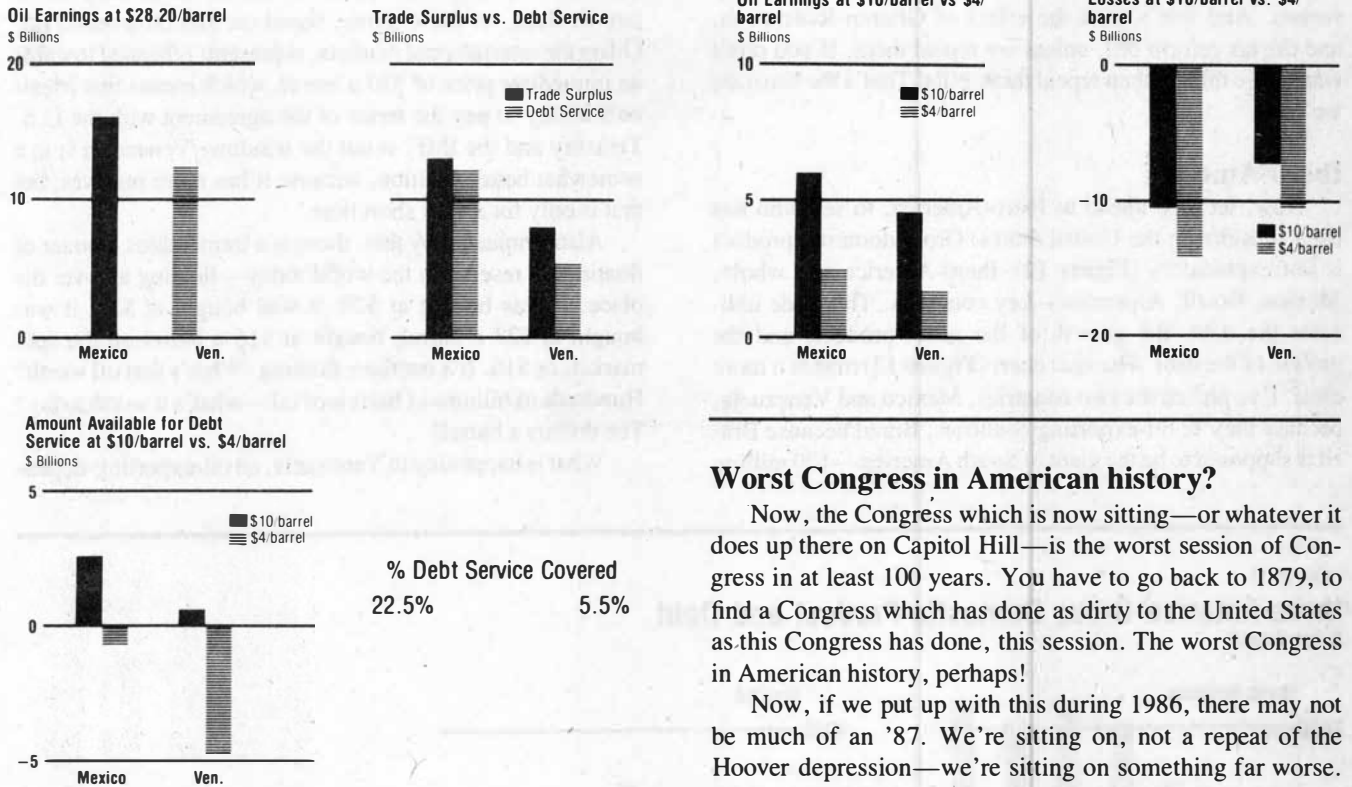


FIGURE 13



dent country? What happens to Mexico, what happens to Texas, what happens to Oklahoma, what happens to Louisiana?

On to the next slide (Figure 14). Again, you see the climbing of the debt, and the dropping of the imports, and the rise of the exports—particularly after 1982-83. What has happened is this: The President, on the one hand, and the Congress, say, “We have to worry about the U.S. trade balance.” Well, they weren’t concerned about that when they went down and negotiated with the countries in South America! Because the terms which the United States insisted upon, were that these countries stop importing from the United States and Western Europe, and that they export more. To whom are they exporting more? To us, primarily. Somewhat to Europe, but mostly to the United States. The reason for the trade balance jump, is that we collapsed industry in the United States, including the steel industry and agriculture, in order to create a market in the United States for increased imports, from countries that could not afford to export that amount of goods. At the same time, we ordered these countries to stop buying from the United States, as part of the IMF conditionalities. And now, someone says, lo and behold, we have a growing trade deficit! I tell you, in Washington, they’re not entirely sane.

### Worst Congress in American history?

Now, the Congress which is now sitting—or whatever it does up there on Capitol Hill—is the worst session of Congress in at least 100 years. You have to go back to 1879, to find a Congress which has done as dirty to the United States as this Congress has done, this session. The worst Congress in American history, perhaps!

Now, if we put up with this during 1986, there may not be much of an ‘87. We’re sitting on, not a repeat of the Hoover depression—we’re sitting on something far worse. We’re sitting on mass death; not misery, of the type we knew back in 1932 and ‘33, and into ‘34. We’re sitting on something far worse. There’s already mass death in Africa; there’s already mass death from environmental conditions caused by the collapse of the international economy in South America. The northeastern part of Brazil is in a condition just as bad as many of the worst parts of Africa. It’s in that condition because the United States, and Henry Kissinger, have insisted upon policies which have led to these things.

In our own country, 30% of the population of the United States is living outside the economy, and is on the dump. You can go into any of our traditional cities in the United States—I’m not able to go there, because my enemies would like to get rid of me, but I get detailed reports and pictures, and I have glimpses of it occasionally. You go two blocks beyond the FBI building in Washington, D.C., and you’re in hell. You’re in an area like a bombed-out region. You can go into whole parts of New York City, Boston, Cleveland, Detroit, Chicago, and you’re seeing bombed-out areas, that look like bombed-out areas of Europe after the Second World War—and people are living in them. Or not living in them. The homeless—they are homeless for what reason, in Boston and elsewhere? They’re homeless—why? Because they can’t afford to pay rent. Rent has already gone up, in many parts of the cities of the United States, to 50% of household income. And they can’t afford to buy food; they hold on to the rent; they get sick; then they can’t pay the rent increase;

they're bounced out. They join the ranks of the homeless—depleted, mostly older people. And they're dying—on the streets, because of our policies.

### Reagan prosperity like Great Depression

You add this cruncher on top of this: We're already in conditions like those that existed in the Great Depression. I lived then; some of you did, too. The conditions we have, under so-called Reagan prosperity today, already are conditions of collapse of industry, of agriculture, of pockets of misery in cities—already as severe as you had in the depths of the last depression.

Now, on top of this, with the aid of that ever-loving Congress of ours, someone has proposed to add a depression to a depression. What does that mean? It means, we'd better do something about the Congress. And it means, that any citizen who *doesn't* do something about the Congress this year, has no one to blame but himself or herself. This Congress has to be roasted! If there's anything in the Congress, humanly, which is salvageable, it is half-baked and needs to be thoroughly cooked! There are some things which, in the language of the old preacher, "God, they're not redeemable!" And you have to judge, lest ye be judged for not judging! They have to be removed.

Now, in the House of Representatives, that's not an impossible task; they're all up for election. And one should start from the presumption that if they're in the Congress now, they ought to be out of it. And we look over the list of salvages: which ones can be allowed back in after they cease to be half-baked and have been thoroughly cooked, by the citizens of this country, when they go back, baked together, and understanding that Gramm-Rudman must be repealed; that tax reform, the Rostenkowski bill must be repealed, altogether! But more must be done.

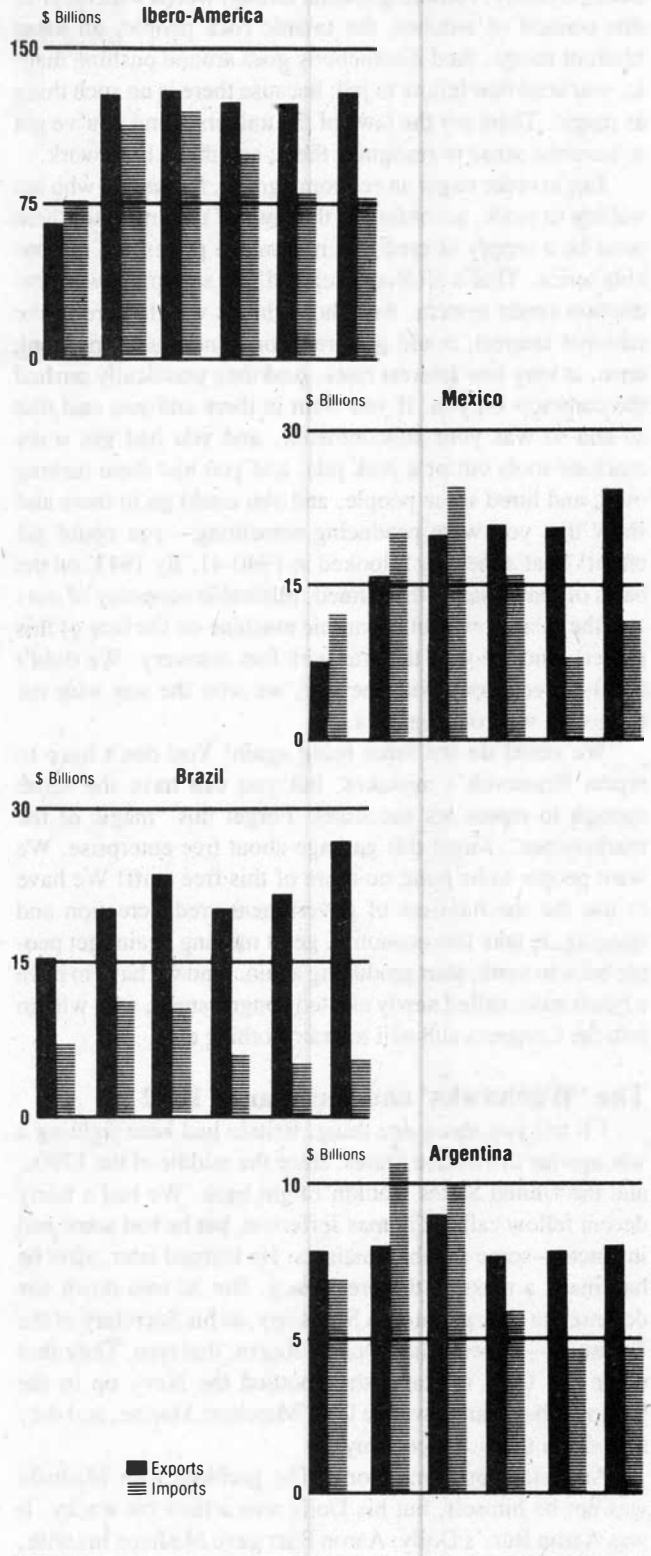
Now, Roosevelt didn't do everything right, but, if you'll recall, we were in a pretty bad depression, right up into 1939; don't let anybody tell you there was any recovery before 1939—there wasn't; we'd just gotten used to it. Things were getting worse. In 1939, particularly in 1940, we began to recover. And the United States recovered so well, during the period 1940 to 1943, that they couldn't kill U.S. prosperity until Johnson came along with the Great Society in the middle of the 1960s. He said he was going to help the poor, so the first thing he did was to make more of them. It's called the Great Society program. Great numbers of poor.

### No reason to have a depression

Now we ought to have learned a lesson from that: There's no reason we have to have a depression. We can get out of a depression any time the government makes up its mind to do it! But we have to do exactly the opposite of what the administration's been doing since Jiminy Cricket Carter got in there, and Volcker. Don't believe all this stuff about the "magic of the marketplace"! If anybody comes around selling

FIGURE 14

### Ibero-America Exports and Imports





magic, you call the police—the consumer fraud division. There is no magic! And anyone who's peddling it—look, I've got a friend who believes in burning witches. And he doesn't do this because he's a bad person; he's just been studying witches and what they've been doing in the United States recently, including Jeanne Dixon, who is a member of this council of witches; the satanic rock people, all these kinds of things. And if somebody goes around pushing magic, you send that fellow to jail; because there is no such thing as magic. There are the laws of the universe, and you've got to have the sense to recognize them; and that's hard work.

But in order to get an economy going, for people who are willing to work, according to the laws of the universe, there must be a supply of credit, at reasonable prices and reasonable terms. That's all Roosevelt did! He set up the war production credit system. And those things which were in the national interest, could get credit on generous terms, long term, at very low interest rates. And they practically pushed the contracts on you. If you went in there and you said that so-and-so was your subcontractor, and you had got some machine-tools out of a junk pile, and you had them turning over, and hired some people, and you could go in there and show that you were producing something—you could get credit! That's the way it looked in 1940-41. By 1943, on the basis of that system, this ruined, miserable economy of ours was the most powerful economic machine on the face of this planet! And we won the war with that recovery. We didn't build the economy with the war, we won the war with the economy, with our logistics.

We could do the same thing again! You don't have to repeat Roosevelt's mistakes, but you can have the sense enough to repeat his successes. Forget this "magic of the marketplace"; forget this garbage about free enterprise. We want people to be *paid*; no more of this free stuff! We have to use the mechanisms of government credit creation and steering, to take this economy, get it moving again, get people back to work, start producing again. And we have to have a lynch mob, called newly elected congressmen, who will go into the Congress and will tolerate nothing else.

### The 'Warhawks' and the War of 1812

I'll tell you about one thing. Britain had been fighting a war against the United States, since the middle of the 1790s, and the United States wouldn't fight back. We had a fairly decent fellow called Thomas Jefferson, but he had some bad instincts—some Jacobin instincts. He learned later, after he had made a mess of the presidency. But he tore down our defense; he took a traitor, a Swiss spy, as his Secretary of the Treasury—someone like Donald Regan, that type. They shut down the U.S. military, they bottled the Navy up in the harbors, they shut down the U.S. Merchant Marine, and they shut down the U.S. economy.

And Madison came along. The problem with Madison was not he himself, but his Dolly was a little bit wacky. It was Aaron Burr's Dolly; Aaron Burr gave Madison his wife,

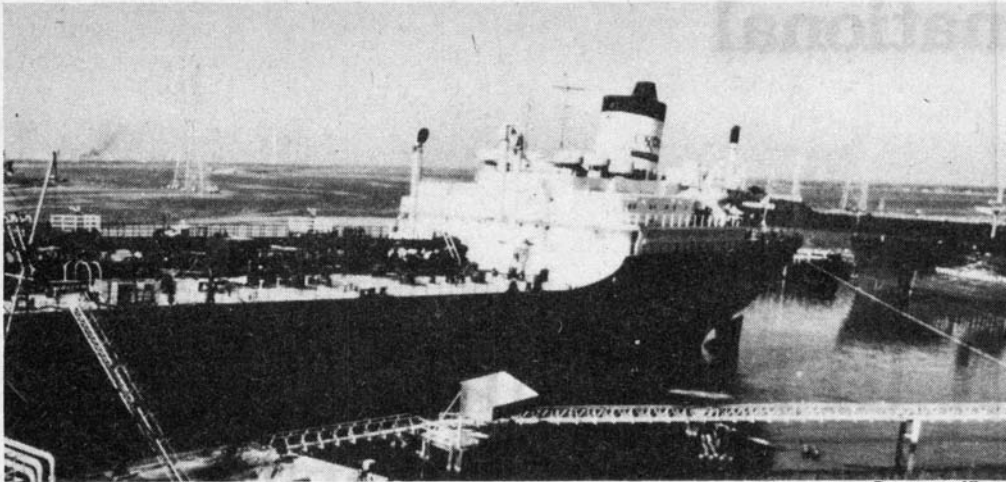
Dolly. She wasn't very good—and neither were the chocolates of her name, nor the ice cream. But anyway, Madison took this same fellow, Gallatin, this Swiss spy, this enemy of the United States, and kept him on as Secretary of the Treasury—with more of this Adam Smith nonsense. The U.S. economy was collapsing. Between 10 and 20,000 of our merchant seamen were kidnaped and enslaved by the British, and we wouldn't do a thing about it; the President wouldn't do a thing! Then, in the election of 1812, the way the war started, was that some Whigs got elected, led by Henry Clay, who was known as the Warhawk. And Henry Clay, who became the Speaker of the House in his first term of service in the House of Representatives, was leader of the Warhawks. And the Warhawks declared war on Britain, and we *won* the war, even when we had to fight Britain alone—because the U.S. Navy skeedaddled out of its harbors before Madison could be prevailed upon, by this Swiss spy Gallatin, to bottle it up. And these U.S. frigates got out of the harbor before Gallatin could sink them, and they went out on the high seas and they took on the entire British Navy, and they beat it! And the Warhawks did that.

Now, I'm not for war. I'm for being able to win one, so you won't have any war. And when you're dealing with somebody who believes in irrational force, you'd better be stronger. As Kennedy was about to say before they shot him, down in Dallas, the United States had to have a policy of peace, guaranteed through U.S. absolute military superiority. I'm for that! And that's the only way you're going to have peace. You've got to have the *right kind* of military superiority; it just can't be anything. It can't be buckets, or helmets, or bayonets. You've got to have the right stuff. But you've got to have it.

### Get rid of Gramm-Rudman, tax reform

Now, I'm not for a war, but I'm for Warhawks, like Henry Clay's Warhawks. And what we need to do, in this country—if we want to save this country, if we don't like what might happen to the world if Mr. Gorbachov and his friends become the emperors of the world for two or three generations—if you don't like that, then you have to change the United States, this year. Not only in reforming, getting rid of Gramm-Rudman, which is a treasonous, unconstitutional piece of filth—and any congressman who voted for that thing, violated his oath to uphold the Constitution. And the only grounds on which he could exempt himself from imprisonment, is that he didn't know what the Constitution was—which most of them probably didn't.

Get rid of this tax reform legislation! You've got to have a tax policy, in which things which are not sinful, and which are beneficial to the economy, ought to be taxed at a lower rate than casinos, and gambling, and drug-money laundering, and prostitution, or legalized prostitution. I believe it's called—such as Las Vegas, and things like that. You ought to have the lowest rate of taxes on those investments of income which do the most good for the economy. You ought



Department of Energy

*The price of oil is falling through the floor, and with it any hope that countries like Mexico and Venezuela can meet the IMF's debt payment obligations. Shown is a supertanker bringing imported oil to the United States.*

to have a lower rate of taxation on basic household income, by which people feed and raise families, than you should on higher levels of income which are *not* invested in productive things which are beneficial to the economy.

Kennedy had not a bad idea, back then. Kennedy was not entirely bad; he had the investment tax credit, he started the Apollo program—or he adopted it, pushed it, made it go through. And it was during that period, with the combined effect of the NASA-led aerospace research and development, back in the early 1960s, and when the Kennedy investment tax credit bill was enforced, that the United States had the highest rate of growth of productivity in the entire postwar period. The growth of productivity in the labor force as a whole during that period, was 3% per year. The growth in productivity in the operative section of the labor force, that is, manufacturing and agricultural people, was up to about 7% per year. And that was a direct result of investment in technology, stimulated by the NASA-aerospace-led scientific program, also called the post-Sputnik program, combined with an investment tax credit program, that gave people an incentive to invest in things that did the economy some good, rather than investing in high-premium pieces of things that don't do anything.

So we have to get rid of this stuff: get rid of Gramm-Rudman, get rid of the Rostenkowski bill. Repeal them, but do more. We cannot solve our problems, unless we increase our tax revenue base. We cannot increase our tax revenue base without having a genuine recovery. Not the phony recovery that didn't happen, that they keep talking about in recent years. That means employing more people. It does not mean fast-food stands; it does not mean messenger boys; it does not mean people passing out flyers for massage parlors. It means, people employed in producing useful goods and services: genuine wealth. And when people produce genuine wealth, and per capita income increases, the tax revenue increases, without having to raise taxes—or tax rates. Then, you can pay for government; the private sector can begin to pay for its own requirements; and we can get out of this mess.

We will not do it, however, without government credit, or government-steered and government-created credit, to get the private sector, and government, moving again.

And we have to have a lynch mob of Warhawks' in the Congress, this year. And the first thing to do is to scare every congressman who is in there, into the fact that he might be politically lynched. Don't wait until the November elections; let's give him a sense of the rope now. You know, you have a thing: "Support your local Congressman"—a hangman's noose!

### Out of your foxholes

We have to get the American people coming out of their foxholes. You know, they're down there in a foxhole, watching a television set. That's what the American people have done. The worse things get—and every time there are problems in the world outside, they stick their noses up, and hear a rumor that something bad's out there, they dig a little deeper! And then, the thing that always happens in war, somebody always comes around and starts dropping hand grenades in these foxholes—and then they come out!

Well, they're coming out—they're beginning to come out. But they have to be mobilized, now, the average American, including the fellow who never voted in his life. He says, "I never voted because there was nobody fit to vote for." And we say: You were right! It's just been proven! But guess what's going to happen to you because those persons got in? Look at the grenade that just dropped into your foxhole! Now a mortar shell is coming next. You'd better do something about it, buddy. Get out of that foxhole, and start to roast this character, kick him out, and find honest people, who are willing to become part of this.

Now, the qualification is not that they're the world's greatest genius on this session. No! The qualification is, that they're *devoted* to the idea of becoming, for a period of time, an active member of a lynch mob. And send them down to Congress! And that's the way we're going to get out of this mess! Thank you.

## Event in Paris links debtors of Africa, Ibero-America

by Mary Lalevee and Vin Berg

It has been one of the greater fears of the forces of international usury, over a period of recent months, that their debtor victims in Ibero-America would not only themselves coalesce around a common program of debt renegotiation, but unite with desperate indebted nations of Africa. Now, an extraordinary conference of the Schiller Institute in Paris has established just such an Ibero-American/African link.

On Feb. 2, more than 500 people representing five continents and 30 nations, including most Ibero-American countries and almost all African countries, convened to discuss: "The Creation of a North-South Action Committee for a New World Economic Order and Against the International Monetary Fund (IMF)." The two leading reference points for the conference were the program of Peruvian President Alan García in defiance of the IMF, and the efforts of Senegalese President Abdou Diouf, chairman of the Organization of African Unity, for an all-African conference on the continent's foreign debt.

Numerous officials, from nations as disparate as Vietnam and Argentina, raised the call for a coordination of Ibero-American and African efforts against the genocidal policies of the IMF.

Argentine labor leader Alberto Campos encapsulated this thrust in his statement to the conference. Addressing himself to "the heroic French people and to those African brothers who are suffering as we are, and even much more," he celebrated the memory of Charles de Gaulle, remembering those years when he organized pro-de Gaulle demonstrations on the occasion of the French leader's visit, shouting: "De Gaulle, Perón, Un Solo Corazón" (De Gaulle, Perón, Only One Heart).

Today, said Campos, "It is time to act, to bring to life the time of the people [*la hora de los pueblos*], advancing de-

mocracy to more advanced stages, bringing the peoples of the world together with the concept of a more just world economic order." He cited Peru's García as a man of moral courage fighting against the drug traffic, against terrorism, and against the IMF, as a single fight.

### Denunciations of IMF policies

"The fight of our Schiller Institute for the true development of Africa, is a hard but exalting, long, and passionate fight," declared Tunisian member of parliament and publisher Ahmed Kedidi, in a message to the Paris conference. Kedidi, unable to attend because he was touring Africa with Tunisian President Bourguiba, sent his message from Dakar, Senegal, and stressed that the aim of the conference, under the sponsorship of "Lyndon and Helga Zepp-LaRouche, is a fight for a really independent Africa, its second independence, meaning to take up the challenge and unite against international financial institutions. In such a fight, Africa is not alone. . . . President García has led the fight to free Peru from the humiliating conditions of the IMF."

His Excellency P. L. Udoh, Nigerian ambassador to Paris, made an official declaration to the conference in Paris on his own country's rejection of IMF conditionalities.

Speaking after Dr. Moustapha Kasse, who represented French-speaking Senegal, he declared that his English-speaking country supports a South-South alliance of states to change the present conditions of debt payment. "The size of our debt is of about \$11 billion to \$22 billion. We don't know the exact figures because most of these are in trade debts, trade debts of which a lot are fraudulent. . . . Also a lot of Nigerian money, about \$6 billion, was siphoned away without material equivalent in exports or imports. . . . All this is being investigated. In the last few years, we diverted more

than 40%, and as a matter of fact, 43% last year alone, of our exports in payment of our foreign debt. . . . Our government had to step in to introduce something, because such debt payment prevented our development. In our current budget of 1986, our President has imposed a limit of 30% of our exports in payment of our foreign debt. This has worried some of our trade partners, but it is absolutely impossible to do more than that. Without our limitation, we would have had to pay this year up to 50% of our exports in foreign debt. Our net earnings of oil in the meantime have fallen from \$22 billion to half of that or even less. So, if we had to repay all of our debt, we would only be paying debt interest, with almost nothing left to import. . . .”

“All other conditionalities of the IMF we had to refuse, because they were totally unacceptable. Some of our friends keep asking us why, if we have met most of the conditions of the IMF, are we so foolish as to refuse the IMF loan. The reason for this is not hard to see, for example, in the matter of devaluation. The IMF conditionalities would have imposed nearly a 60% devaluation in one shot, which would only make matters worse; the export of oil would not expand if we devalued our foreign currency by 60% at once; and this would only lead to more troubles and riots in the streets and many, many things like that.”

He concluded by stressing, “It has been found that most Nigerians are against taking the IMF loan with its appended conditionalities. . . . By and large, Nigerians prefer a regime of discipline which is self-imposed, even if rigorous, to one much worse imposed by an outside institution. . . .”

Many observers in the room noted the convergence of Nigeria and Senegal against the IMF conditionalities. Senegal’s Prof. Moustapha Kasse, director of the Centre des recherches économiques appliquées (Center for Applied Economic Research), delivered one of the strongest denunciations of the policies of the International Monetary Fund to date by an African leader, and a plea for new strategies for real industrial development.

“The countries of our sub-region,” Mr. Kasse stated, “are going through a very deep economic and financial crisis with social consequences which could be disastrous. The development efforts of working populations as well as the perspectives for economic growth are compromised and ruined by the deadlines of a foreign debt repayment which is very large relative to the characteristic aggregates of productive reality.”

He cited his President, Abdou Diouf, in calling for an all-African conference on debt.

It was clear to all participants, after these speeches, that “after Ibero-America,” as one put it, “Africa is now the second pillar of the anti-IMF mobilization.”

### **Support from Italy**

The influential Italian Senator Vincenzo Carollo, vice-president of the Christian Democrat Group of the Italian Senate, extended his support to the efforts of the Africans

and Ibero-Americans. Senator Carollo declared: “The evil [of the debt problem] does not strike only the poor countries, but also the countries with a high level of economic development. . . . All peoples, rich or poor, must act according to one mutual and general solidarity, because only thus can the salvation of all be assured.”

Mr. Carollo then violently attacked the so-called “democratic regimes supported by the Soviet Union,” saying: “International communist solidarity didn’t provide resources to the 2.5 million poor, to the 20 million starving Ethiopians. They furnished them with weapons in order for the expansion of the power of Marxism-Leninism to become more important than that of wealth—Libya, an operational Soviet military base in the Mediterranean, doesn’t think it is its duty to help the poor people of Kenya or Chad. . . . If the situation remains this way, world communism’s capacity for destabilization will increase.”

He concluded, “It is necessary to transform the operative content of the IMF, and consequently eventual formal modifications are not enough. Rather, [we need] an operative awareness of solidarity in the developed countries in favor of the developing countries. The formulas, the agencies, and the institutions can change their juridical point of view: but they must not change by diminishing and replacing the content, of the political will to help the growth and strength of democracy, freedom, and sovereignty of peoples, of peace in the world built on respect for all men, and not on the authority of feudal despotism, which is ready to promise, but unable to fulfill people’s aspirations.”

Other speakers included Jacques Cheminade, president of the Schiller Institute of France, who called for a “war on usury,” and M. Henri Gaulandau, president of the French Federation of Agriculture (FFA), who attacked the IMF for bankrupting Third World nations, and the “Malthusianism” of the policymakers of the European Community bureaucracy, who are destroying European production potential.

The Institute’s own alternative for African development was presented by Uwe Friesecke of Germany, who called for massive development projects: East-West and North-South rail and canal transport systems, large water projects, continental communications systems, and the development of nuclear power. Said Friesecke, “The children and grandchildren of this generation of Africans must be able to look back, one or two generations from now, on their parents as giants who pulled African countries out of a genocidal holocaust into modern nationhood.”

In France itself, where African affairs figure prominently in ongoing legislative election campaigns, the conference has had a political shock effect on the government and all political parties. Most revealing was not only a complete press blackout, but the fact that the French news media, of all political persuasions, refused to publish an advertisement announcing the convening of the conference—making a sham of the many electoral expressions of concern by all parties for the plight of Africa.

# State Department-funded labor institute tied to mob

At a well-attended press conference in Washington, D.C. on Feb. 6, Schiller Institute spokesman Dennis Small called for the U.S. government to immediately suspend all funding to the American Institute for Free Labor Development (AIFLD), the AFL-CIO's foreign policy arm, and to conduct an in-depth investigation of its activities. The Institute has uncovered information linking top AIFLD representatives in Ibero-America to drug traffickers including Gilberto Rodríguez Orejuela of Colombia and Carlos Langberg of Peru.

Small said, "It is urgent that President Ronald Reagan take this action to lend credibility to his own War on Drugs program. Given the evidence of close collaboration between AIFLD officials and known drug traffickers, to allow these to continue with funding from U.S. taxpayers monies, would ~~destroy~~ the credibility of the President's War on Drugs."

The Schiller Institute launched an investigation after a "directive" of the Union of Colombian Workers (UTC) was issued on Jan. 28 which demanded a severing of all contact between members of the labor federation and the Institute. The directive was issued under orders from AIFLD representatives in Colombia.

Small explained that AIFLD's attack on the Schiller Institute was because of 1) the Institute's well-known opposition to the drug trade; 2) its attacks on the debt collection of the International Monetary Fund; and 3) its support for the policies of President Alan García of Peru. These policies have attracted widespread support among trade unionists in Colombia and other Ibero-American countries, threatening AIFLD's control.

"We are perhaps best known throughout Ibero-America," Small said, "for a very famous slogan which has been painted on virtually every free wall in Ibero-America: 'No to Kissinger! No to Castro! Long Live Alan García!'" The AIFLD apparently feels differently. They do not support the policies of Alan García in the least. In fact, I would argue that the policies of the AIFLD are supportive of Fidel Castro—the big beneficiary of the drug trade and the policies of the IMF."

"Unfortunately," Small stated, "this AIFLD problem is not limited to Colombia. . . . What we have in both the Peruvian and Colombian cases, is the direct association of

trade unionists who are or have been representatives of AIFLD, with known, indicted, and convicted drug runners."

The Institute's demand for an investigation revolves around the following explosive intelligence reports:

- **Bernard James Packer**, director of AIFLD operations in Colombia, is a personal intimate of **Carlos Langberg Meléndez**, who is currently sitting in prison in Peru on drug-trafficking charges.

- The **Colombian Workers Bank** (Banco de los Trabajadores), established in 1974 with a grant from the Inter-America Foundation, on whose board sits current AIFLD Executive Director **William Doherty**, has been publicly cited as a "laundromat" for illegal money transfers of drug trafficker and money launderer **Hernán Botero**, who is currently imprisoned in the United States for his crimes.

- **Tulio Cuevas Romero**, the former UTC secretary general who for many years served on AIFLD's board of trustees, founded the same Colombian Workers Bank, and immediately sought to allow sale of UTC stocks in the bank to **Gilberto Rodríguez Orejuela**, a Colombian who is currently residing in a Madrid jail, awaiting extradition to the United States on drug-trafficking charges. With the help of AIFLD's Cuevas, Rodríguez Orejuela was placed on the board of directors of the bank, and by 1978 was its majority stockholder.

- **Cuevas's** behavior was so blatant that AIFLD itself conducted an inquiry into his ties to Rodríguez Orejuela—but the results were never released.

- UTC Secretary-General **Alfonso Vargas** traveled to Spain in 1984 to plead against the extradition of Rodríguez Orejuela to the United States. This was the same Vargas who signed the UTC directive of Jan. 28 against the Schiller Institute, along with UTC President **Víctor Acosta**.

## What is AIFLD?

Of AIFLD's reported \$19.2 million budget for 1985, \$13.5 million, or 70%, was provided by the U.S. State Department's Agency for International Development (AID). AIFLD is widely viewed throughout Ibero-America as nothing more than the arm of the State Department encharged

with handling the labor movement.

The American Institute for Free Labor Development was founded in 1962, in the aftermath of Fidel Castro's victory in Cuba, supposedly to meet the AFL-CIO's need for a channel of funds and training of labor personnel to counter Cuban influence on the continent. It currently operates in some 22 Ibero-American countries.

Chairman of the Board of AIFLD throughout most of its existence was **J. Peter Grace**, of the W. R. Grace empire which has looted Ibero-America, particularly Peru, for over a century. AIFLD's first executive director was Serafino Romualdi, the Ibero-American operations expert employed by Nelson Rockefeller's wartime Office of Inter-American Affairs at the State Department.

### **Bernard J. Packer: subversive**

The case of Bernard James Packer exemplifies AIFLD's role throughout the continent, in destabilizing governments and fostering the growth of the drug mafias. Before his current assignment in Colombia, he was AIFLD director in Peru

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*"Unfortunately, this AIFLD problem is not limited to Colombia. What we have in both the Peruvian and Colombian cases, is the direct association of trade unionists who are or have been representatives of AIFLD, with known, indicted, and convicted drug runners."*

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(1977-83), El Salvador (1983-85), and Guatemala (1985). He was described by one AIFLD intimate as "a counterinsurgency expert in labor movements."

During his tenure in Peru, Packer worked closely with AIFLD board member and president of the Peruvian Workers Confederation Julio Cruzado Zavala. With Cruzado, he reportedly frequented the home of the dope mafia's Carlos Langberg. According to Peruvian sources, Packer and Cruzado linked up with former Peruvian Prime Minister Manuel Ulloa in an effort to found a Workers Bank in Peru, similarly to that which had been created in Colombia thanks to AIFLD's efforts. The role which Ulloa's economic policies played in fostering the drug trade has been detailed by *EIR* on other occasions (*Cf.*, Aug. 16, 1985, "To Aid Peru's War on Drugs: Open the Ulloa File!"). Langberg was to have provided financing for the venture, as Rodríguez Orejuela had done in Colombia. But opposition to the venture surfaced, and the bank was never established.

Further, Packer worked through Cruzado's Association for the Development of Labor Education and Economic and Social Research (AEFL-IES), which maintained a computerized data base with profiles of every labor leader in Peru. The U.S. embassy in Lima had a direct telephone hook-up to the offices of AEFL-IES.

In 1982, a scandal erupted in the Peruvian press around Packer's role, and he was ultimately forced to leave the country under charges of being an agent of the CIA and of intervening in the internal affairs of Peru. As a result of the same scandal, Cruzado was suspended from the APRA party.

Packer's term in El Salvador followed a similar pattern, and he was eventually withdrawn from the country at the request of labor leaders there. He first worked with the Popular Democratic Union (UDP), a coalition of labor and agrarian unions, to elect José Napoleón Duarte to the presidency. Then, with what many described as a U.S. policy shift away from Duarte, Packer became the point-man for a pressure campaign on the trade unions to withdraw their support from the government.

According to a report in the *Washington Post* of March 20, 1985, "Packer either had withdrawn or threatened to withdraw financial and logistical support" from several major trade-union federations, in order to force them to abandon the UDP. "The U.S. government appears to have dropped much of the support that it provided Duarte in last year's elections," the *Post* reported.

AIFLD shifted its support from the UDP to a new labor confederation of its own creation.

On Jan. 21, 1985, enraged unionists sent a letter to AIFLD Executive Director William Doherty, demanding Packer's resignation. He was dispatched forthwith to Guatemala. But his stay there was short: The government reportedly refused to allow him to operate in the country.

### **Further information required**

Small announced that he has filed Freedom of Information Act (FOIA) requests with four U.S. government agencies, to obtain further information on AIFLD's activities, and that the law firm of Fensterwald, Alcorn, and Bowman, of Arlington, Virginia, has been retained to prepare suit should the agencies not respond. Requests were filed; Small announced, with the CIA, the State Department, the State Department's Agency for International Development, and the Drug Enforcement Administration. The lawfirm is also investigating for the Schiller Institute what, if any, legal action could be taken to force the U.S. government to suspend funding to AIFLD until a thorough investigation is conducted. Small also announced that a full informational dossier on AIFLD activities would be made available to the appropriate government authorities, including to the relevant congressional committees.

"It appears that AIFLD's future in Ibero-America," Small concluded, "is not a very promising one."

## Lyra and Brizola: a narco-terrorist pact?

by Silvia Palacios

Leonel Brizola, the governor of Rio de Janeiro, the self-styled "Willy Brandt of Brazil" whose party, the PDT, belongs to the Socialist International, and Brazilian Justice Minister Fernando Lyra, promoter of the legalization of marijuana and other hallucinogenic drugs, have sealed a radical leftist electoral pact. Their aim is to take two elections: that of the Constituent Assembly and that of various state governments. Both agree on the goal of destroying Brazil's weak political system, by unleashing the forces of sectarian, narco-terrorist fascism.

The Lyra-Brizola alliance went into effect when the two sponsored a seminar on "Jail Systems and Human Rights Around Latin America," held on Dec. 12, 1985 in Rio de Janeiro. The entire meeting was financed by Lyra's Justice Ministry. However, to inaugurate the seminar, the Rio governor sent not his justice secretary, as would have been appropriate, but out of "deference" to the invited guests, his vice-governor and secretary of education, the Gnostic anthropologist Darcy Ribeiro.

The political thrust of the seminar, attended by high-level functionaries of the judicial branch from various parts of South America, was to attack the patriotic President of Colombia, Belisario Betancur, for refusing to negotiate with the narco-terrorist M-19 group in the seizure of the Bogota Palace of Justice last November—an action ordered by Dope, Inc.

The final resolution of the Rio meeting demanded that the Colombian government "clarify" the circumstances which led to the "army attack on the Justice Palace," since this "put the judiciary branch of the continent at risk," according to Eugenio Raúl Zaffaroni, the magistrate of the Supreme Court of Justice of Argentina who wrote the resolution.

Why this attack against Belisario Betancur, the statesman of the continent most threatened by the drug trafficking mafia?

### Brizola and the 'bicho' mafia

In his scramble for the presidency of Brazil, Brizola has just received the public support, among others, of the clique of owners of the illegal "bicho" game (lottery). "If Dr. Bri-

zola asks that we contribute to his campaign for the presidency of the Republic, we have a real obligation to pay attention," wrote Lusiano Carlos Pereira, pseudonym of a spokesman for the gambling interests, in the newspaper *O Globo*. And he added: "Never was a government so liberal with the bicho games than that of Dr. Brizola." And it could not be otherwise. In 1982, when the Socialist Brizola won the governorship of the state, he made certain deals with the bicho mafia: He invited them to invest their huge, ill-gotten fortunes in the state bank, the Banco del Estado de Rio de Janeiro (Banerj); in exchange, he would give them protection and tolerance, he would launder their money, and then he could use the funds to make the "social investments" which would assure him of popular support.

As for Brizola's new ally, Justice Minister Fernando Lyra, he has tried to legalize bicho and consumption of marijuana and other "recreational" drugs. On Jan. 13, Tesio Lins e Silva, president of the Federal Council on Narcotics, an entity directly under Lyra's ministry, announced that the laws governing consumption of a hallucinogen called *uasca* would be liberalized.

Uasca tea is consumed in the rituals of a group of satanic sects located in the states of Roraima and Acre, one of which is called "santo diame." "Santo diame" counts among its prominent members the terrorist Alex Bolari Alverga, who in 1969, as a militant in a terrorist communist group, took part in the kidnapping of the German ambassador, Von Holleben, and one year later in that of the Swiss ambassador, Giovanni Bucher. The cultural model for the proliferation of such sects, which are based on indigenous traditions and become terrorist, was elaborated by the network of Nazi anthropologists, among them Jacques Soustelle—the mentors of the "Shining Path" group in Peru, and M-19 in Colombia.

The most dangerous thing that could arise from the pact between the Lyra-Brizola forces, now being joined by other figures of the Partido Movimento Democrático Brasileiro (PMDB), is the winning of the governorship of the state of Rio de Janeiro by the Nazi-communist anthropologist Darcy Ribeiro, the present vice-governor and the real brains behind the immoral Leonel Brizola.

### Magic, terrorism, and the Bulgarian link

With Brizola, Nazi-communist irrationality came to power in the state of Rio. His government is made up of a variety of Gnostics promoting anti-Christian and proterrorist sects, and glued together by the so-called Theology of Liberation. One example is Clovis Brigagão, Brizola's chief of protocol, who practices both sociology and astrology.

The brains commanding this network is anthropologist Darcy Ribeiro, who is using the schools that Brizola built with the money from the bicho-lottery mafia as a pilot project for spreading his Gnostic teachings.

Darcy Ribeiro is a materialist, luminary of cultural rela-



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*The Lyra-Brizola alliance in Brazil brings into the limelight a political network which had already surfaced nearly two years ago in Colombia: the Gnostic cultists, the drug-running underworld, and their political protectors. The international connections of this subculture include the government of Bulgaria.*

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tivism and well connected to the narco-Gnostic network of Bulgaria, the intelligence network which court evidence in Italy showed to be deeply involved in the attempts on the life of Pope John Paul II. The Gnostic sects deny all divinity of the human being and practice a series of barbaric sexual rituals. Perhaps that is why Darcy Ribeiro defends so zealously the nomination of the pornography queen Danusa Leao to the chairmanship of Riotur, the state company that runs the Carnival of Rio.

Darcy Ribeiro personifies the Bulgarian connection in Brazil. He hosted, at his home in Rio de Janeiro, Vladimir Zhikov when the latter visited Brazil in 1984. Vladimir is the brother of Lyudmila Zhikova, the late daughter of the President of Bulgaria, Todor Zhikov. Lyudmila ran, until her death in 1981, the cultural policy of communist Bulgaria, which was Gnosticism.

The Bulgarian export firm Kintex, intimately linked to the Zhikov family, was documented in a U.S. Drug Enforcement Administration report of July 1984 to be a nexus of trafficking in drugs and illegal weapons, destined for terrorist and separatist groups. The belief structure of these groups is often provided by the network of Gnostic anthropologists better known as Synarchists, as the cases of Paul Rivet and Jacques Soustelle make obvious; this is the network that Darcy Ribeiro belongs to. These wretches are deployed for the destruction of Western Christian civilization. Soustelle in particular was a member of the Permindex murder cartel, which was accused of dozens of attempts on the life of French President Charles de Gaulle, and spent the years 1961-68 in exile outside France while an arrest warrant for subversion was pending against him.

All this makes the attack on Belisario Betancur articulated by the Brizola-Lyra-Ribeiro crowd even more telling, since it is precisely the Gnostic network described which is the mortal enemy of the Colombian President. The ex-President of Colombia, Alfonso López Michelsen, "godfather" of the Colombia drug mafia, was a personal friend of Bulgar-

ian Gnostic high-priestess Lyudmila Zhikova. Meanwhile, the Gnostic Church in Colombia created the M-19 as a service for the (now fugitive) drug traffickers, Pablo Escobar Gaviria and Carlos Lehder.

But while the gubernatorial election is coming up, Brizola is busy running for the Constituent Assembly. He intends to leave in his stead, as pro-tem governor, Eduardo Chuai, who is also part of the Nazi-communist network and a member of "Vozes" publishing house, which belongs to the Franciscans of Petropolis (imperial city of the Braganza dynasty), Leonardo Boff and Brother Betto. Both friars belong to the Gnostic sect known as Theology of Liberation, and are the bosses of the Workers Party (PT), which Brizola dreams of buying, in order to win the presidential election.

### **Gnostic networks: the Colombia case**

The Lyra-Brizola alliance in Brazil brings into the limelight in that country a political network which had already surfaced as a unified entity nearly two years ago in Colombia: the Gnostic cultists, the drug-running underworld, and their political protectors. The international connections of this subculture prominently include the government of Bulgaria, notoriously the closest satellite of the Soviet KGB.

Gnosticism first developed as a heresy against early Christianity. It teaches the intrinsic evil of the material world, and views Judaism and Christianity as the religion of the stupid masses, with their emphasis on the importance and creativity of the individual. In social practice, the Gnostic philosophy is that "anything is permitted," as Nazi philosophers expressed it. The paramount example of a Gnostic movement coming to power in the 20th century is Adolf Hitler, who was trained by Gnostics and selected to bring into being their new world order.

EIR's investigation of this network was prompted by the July 1984 abduction and attempted brainwashing of a leading anti-drug organizer in Colombia, Patricia Londoño, which led to the publication of a 48-page dossier on Narco-Terrorism in Ibero-America by EIR. The abduction coincided precisely with a major public push by ex-President Alfonso López Michelsen to legalize the drug mafia and bring its money back into the country. The inquiry produced evidence linking the Universal Christian Gnostic Church of Colombia (which had first been legalized by López Michelsen), the López Michelsen machine, and the American Institute for Free Labor Development (AIFLD) to the abduction.

The Gnostic input into López Michelsen is significant in light of his explicit campaign to divorce morality from government policy, in dealing with the drug-trafficking mafia. According to European intelligence sources, both the Colombian ex-President and Colombia novelist Gabriel García Márquez were invited to Bulgaria in 1979 personally by Bulgarian strongman Todor Zhivkov because his daughter, Lyudmila Zhivkova, the founder of a worldwide Gnostic movement, "had connections with them."

# Qaddafi forms a 'Revolutionary Guard'

by Our Special Correspondent

On Dec. 1, 1985, Brig.-Gen. Abubakr Jaber Yunis, commander of the Libyan Armed Forces, announced the formation of a new Libyan Revolutionary Guard Corps (LRGC) which is nearly identical to the unit that Iran's Ayatollah Khomeini created. This announcement came as a surprise to most of the members of the regular armed forces and the members of the Revolutionary Committees of the Libyan People's Conference—ostensibly the ruling body of Libya.

Following the announcement, key Islamic fundamentalist groups sent expressions of support to Muammar Qaddafi. The Iranian ambassador to Libya delivered a personal message to General Yunis from the head of the Iranian Revolutionary Guards (Pasdaran), Rafiqdoust. Rafiqdoust had been in consultation with General Yunis in helping to shape the development of the Libyan force. Iranian Ambassador Ho-

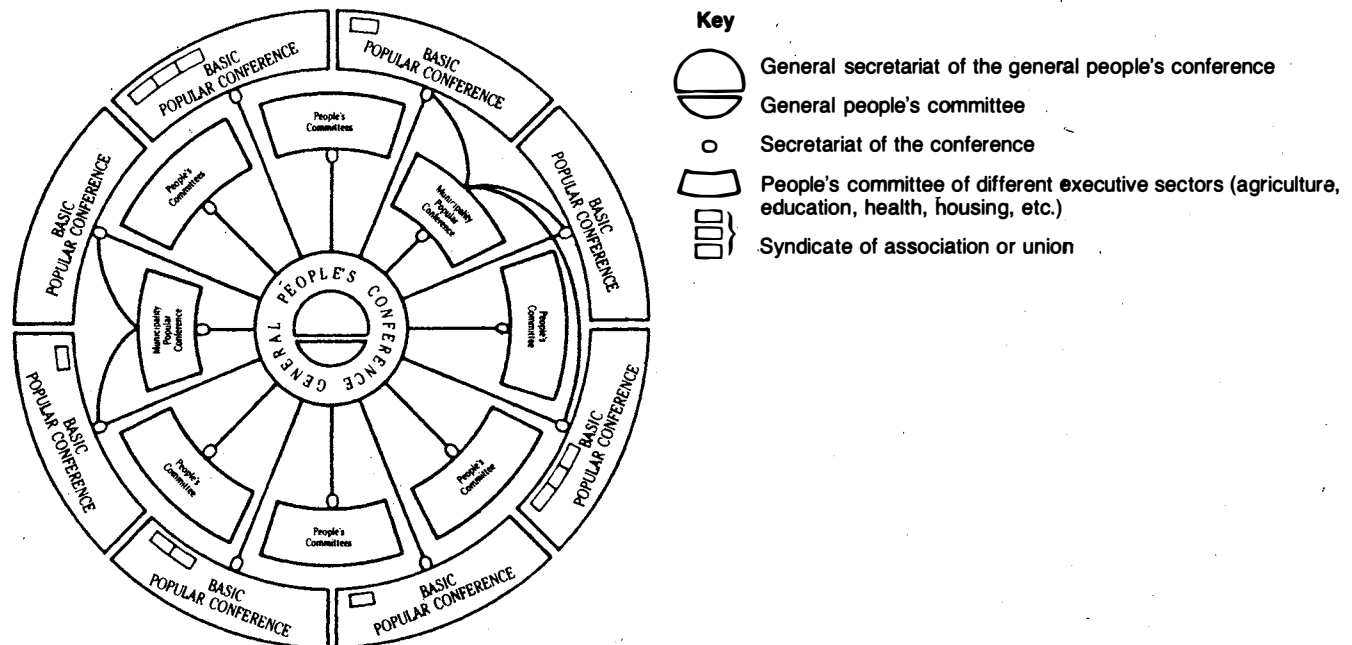
jatoleslam Mohammed Kazem Kansari stated unequivocally Iran's readiness to place its experience in these affairs at the disposal of Libya.

The decision to form the LRGC was initiated by Qaddafi on April 7, 1985, on the anniversary of the Libyan student revolution at Al Fatah University. At that time, Qaddafi had been the subject of two assassination attempts and, through his internal security apparatus, realized that a potential revolt existed within his "professional" military forces due to his erratic and insane adventures in North Africa and elsewhere. In his speech, Qaddafi called upon the "New generation, the generation of anger to take up the call that will herald a new civilization all over the world and end the partition of the Arab world."

Theoretically, the LRGC will work under the command of General Yunis, as an arm of the National Command for the Arab Revolutionary Forces. Its structure will be similar to its counterpart, the Supreme Council for the expansion of the Islamic Revolution headed by Ayatollah Montazeri, the announced heir to Khomeini's regime. Yunis's role is central in the overall scheme. His recent elevation to brigadier-general is a reflection of his growing importance within Qaddafi's own inner circle.

Qaddafi's development of his own Revolutionary Guard elite force grew out of the fact that his power within Libya was beginning to slip away. The recent rumblings within his military and the threat of a coup forced him to re-evaluate his

## Organizational framework for the Authority of the People



entire operation. It is well known among various intelligence services that any time an army commander has received attention from his associates or from the Libyan people, this commander is immediately removed. This week's *Middle East* column identifies the execution of several top commanders for activity which threatened Qaddafi's power.

Over the course of the last two years, Qaddafi has sought to eliminate any potential force within the civilian apparatus of his revolutionary committees. His restructured organization (see chart) decentralized the decision-making process, allowing himself and his immediate coterie greater control over internal political developments. His weakening of the power of the People's Committees was the result of the unsuccessful coup by elements within that organization and the military.

Given the drop in oil prices, coupled with the growing dissatisfaction with his "revolution," especially reported constant shortages of food and supplies, Qaddafi needed the LRGC as his new vehicle to quell internal dissent, prevent another coup from within, and launch a new wave of terrorist assaults against "imperialism," which he hopes will consolidate his power base within Libya.

Qaddafi also fears that his influence in the Arab world is steadily decreasing. Despite recent Arab League statements, including moderate forces, in support of Qaddafi against the United States, his insane antics have tried the patience of even his best supporters in Syria and Iran. The decision by Syria and Iran to help set up the new LRGC is based upon their belief that Qaddafi can serve as a better sacrificial lamb in the broader context of the superpower conflict.

In his speech on the anniversary of the Student Revolution, Qaddafi spoke of the LRGC as an efficient armed force needed to create the atmosphere for the revolution. "Each day, each sunrise, will see the creation of a new revolutionary force joining the existing one," he said. What this means in real terms is that the LRGC will incorporate diverse nationalities for the deployment of new terrorist operations. In this regard, it is believed that the Abu Nidal terrorist group has become a unit within the LRGC.

In addition, several new units are now working in the United States and are in contact with Louis Farrakhan's Nation of Islam organization. The American Indian Movement (AIM) and Stokely Carmichael's All-African People's Party have become part of the political apparatus. At a recent press conference, Farrakhan announced his intention to defy President Reagan's ban on travel to Libya, along with the other groups. Farrakhan's intent in going to Libya is to better coordinate their terrorist operations. Qaddafi has called for the "establishment of a black state in America for Blacks, and a red state for the Red Indians." Moreover, he threatens more terrorism against Europe by stating, "We will consider the Baader-Meinhof, the Red Brigades, and the IRA as a revolutionary opposition within Europe."

## Next week: The Peres Plot

- What was a team of Israeli Mossad agents doing on board the *Achille Lauro* pleasure liner, just prior to its hijacking from the port of Alexandria "by the PLO"?
- Joseph Klinghoffer was shot and killed aboard the *Achille Lauro*, but by no stretch of the imagination could the body returned to New York by the Syrians have been Klinghoffer's. Why did the State Department claim that it was?
- In return for recognition of Israel and allowing the emigration of 150,000 Soviet Jews to the West Bank of the Jordan River, the Kremlin has demanded access to sensitive Western technology. Have the Israelis agreed?
- Israeli plans include the early elimination of Yasser Arafat and the moderate PLO leadership, as well as King Hussein of Jordan. Have the Soviets agreed?
- Israel has secretly demanded of the U.S. government that any CIA and Pentagon activity in the Middle East contrary to Israeli-Syrian-Soviet secret agreements must be curtailed and halted. Has the State Department agreed?

Next week, *EIR* will publish in full "The Peres Plot" by Maxim Ghilan, which originally appeared in Ghilan's *Israel and Palestine* magazine, one of the most reliable sources of inside information on this strategically crucial region.

Its subject: The secret "package deal" between Zionist establishment financiers, the Israeli government, the Syrian government, the Kremlin, and the U.S. State Department. As this document proves, the big losers, should "the Peres plot" succeed, will be the United States and the peoples of the Middle East.

# Botha: 'Apartheid is outdated, and we have outgrown it'

*The historic speech given before the South African parliament on Jan. 31 by President P. W. Botha has been blacked out or distorted—and certainly not published—in the press of the Western world. But it has the British Commonwealth hysterical, the U.S. State Department speechless, the Kremlin and its minions in the African "liberation struggle" perplexed and befuddled. The first reaction of the British Commonwealth was to dispatch British Foreign Secretary Sir Geoffrey Howe to Lusaka, Zambia, to hold secret meetings with the Moscow-controlled leadership of the African National Congress (ANC). The ANC perceives, quite correctly, that Botha's move has pulled the rug out from under their efforts to unleash civil war in South Africa, and permanent destabilization among the countries of the southern cone of Africa.*

*President Botha proclaimed the end of the hated apartheid system, which he described as a vestige of British colonial rule. He announced a series of constitutional reforms, based on the premise of "one citizenship for all South Africans, implying equal treatment and opportunities," and laying the foundations for a multiracial, republican, unified nation.*

*Elsewhere in this feature package, we document how the black African liberation struggle was infiltrated and subverted by the communists, to the point that today the ANC functions as a lever of Soviet policy. We also point the way to the kind of economic development policies which will allow the Republic of South Africa to spark the rapid development of the entirety of southern Africa, in its own interest and that of its neighbors.*

*We publish here the full text of President Botha's speech.*

The founding of the Republic of South Africa a quarter of a century ago severed the last remaining ties with our colonial past.

Through this important step to further the ideal of South African nationhood, we set the stage for the remarkable progress which has been made in major areas over the past 25 years.

In a world where freedom is becoming increasingly rare, our country today is a symbol of the expansion of freedom, of the upholding of freedom of religion and free enterprise, sustained by equal rights before an independent judiciary.

The Republic of South Africa is therefore a powerful bastion against communist domination and enslavement. The Republic is also an important supplier of expertise, development aid, technology, and necessities of life to Africa, and strategic minerals to the world. Should this republic perish, a one-party dictatorship will sever this artery and destroy these freedoms.

Yet, the campaign against the Republic of South Africa from abroad has greatly intensified. On the one hand, it has taken the form of an increased armed threat. This is proven by, among other things, the stockpiling of advanced armaments in certain neighboring states and terror attacks across our borders. On the other hand, there were intensified attempts to isolate us in all spheres.

There are various reasons for this campaign. One is the fact that evolutionary reform does not serve the designs of leftist revolutionaries. The campaign is sustained by calculated lies about the South African realities which have with doubtful motives been spread across the world for so many decades. Attempts are continually being made to belittle each step forward and to brand all government initiatives as merely cosmetic, while conditions more appalling than those ostensibly prevailing in South Africa are sanctimoniously tolerated elsewhere in the world.

Nevertheless, we reaffirm our continued commitment to peaceful international co-existence through cooperation and negotiation. This applies to all nations, but particularly to Southern Africa.

In this regard, I wish to emphasize that there can be no peace and stability in our region as long as countries knowingly harbor terrorists who plan and execute acts of terror against a neighboring state.

## South West Africa

As far as South West Africa is concerned, the Republic of South Africa remains prepared to implement resolution 435, provided agreement can be reached on Cuban withdrawal from Angola. Only then will the Republic of South Africa reduce its troops in terms of the agreed arrangements. In this area, lasting peace, progress and freedom can only prevail if terrorism gives way to negotiation and constitutional development such as desired by the internal parties.

## Agreement

I once again extend a hand of friendship to our neighbors. Let us come to an agreement on the specific rules of the game regulating the conduct of neighbors towards one another, rules that are honored by all civilized nations.

These include the withdrawal of foreign forces from the region, the peaceful settlement of disputes, regional cooperation on common problems, an unequivocal ban on support for violence across international boundaries, and tolerance in the region.

The governments of this region should give tangible expression to such a common desire for peace and stability.

I want to propose, therefore, that we give urgent and serious consideration to the establishment of a permanent joint mechanism for dealing with matters of security, particularly threats to the peace and prosperity of our subcontinent.

It makes no difference in which capital the secretariat of such a body will be located. What matters is that the countries in the region should find a way to promote our joint security, to everyone's advantage.

Should this offer by the Republic of South Africa be ignored or rejected, we would have no choice but to take effective measures in self-defense to protect our country and population against threats.

Southern Africa—and the Republic of South Africa in particular—can play a key role in these last 15 years of the 20th century in unlocking the resources of Africa.

The untapped reserves of our country and our region have the potential to give new life to the whole of southern Africa. We have the natural resources and a strong economy. With the additional potential of our population, we also have the ability to promote peace and progress in the region.

We accept unequivocally that the Republic of South Africa is part of the international community. We have no wish to isolate ourselves from the world, particularly not from Africa of which we form an integral part.

Regarding pressure from abroad against the Republic of South Africa, we accept that not all the pressure is necessarily malicious. Indeed, every country in the world has the right to give priority to its own national interests. We also reserve that right for ourselves.

But I wish to make it clear that we do not need pressure to walk the road of reform and justice.

We do it out of conviction. We have the capacity, the will and the faith to meet our challenges.

As we develop the tremendous potential and goodwill in our various communities, and the talents of our people, we will help create a powerful future for southern Africa.

It is so that we have had to deal with unrest within the country which has unnecessarily claimed lives, and has inflicted too much damage on this country.

Allow me once again to express my sympathy with the suffering of all those affected. No government can permit

such violence, which has often resulted in the brutal murder of innocent men, women and children. We were therefore obliged to declare a state of emergency in about 13% of our magisterial districts.

I am greatly encouraged by the greater calm that is beginning to return. Naturally, there will be further efforts to create unrest in 1986. The leftist revolutionary elements which are controlled from abroad, will develop and attempt to implement new strategies and tactics.

We will continue to maintain order within the framework of civilized norms. Our security forces have strict orders in this regard. Thus we will promote a climate in which new hope for all our communities can grow and the need for emergency measures will decrease.

The institutions of government that came into being in terms of the 1983 constitution proved within a year that our various communities can take part effectively and peacefully in joint decision-making at the central level.

Through their contributions, the representatives of the colored and Indian communities were able to assist in ensuring that problems in their respective communities received the necessary attention. They were personally involved in the active alleviation of such problems.

Our multilateral cooperation agreements in various fields with neighboring states are also proving successful.

I welcome this positive attitude.

## Education

I should like today to repeat the government's commitment to equal provision of education for all population groups. The process of reform, aimed at achieving this, is in full progress in the education field.

One of the most important steps was the establishment of a single education department for general policy for all communities. Through the mediation of this department, after comprehensive consultation, the overall guidelines for the provision of education, are being laid down. These include the equitable allocation of resources to the various communities.

Real progress has also been made in the quality of education for black communities.

Investigations and projects which have been launched, cover, among other things, the improved provision of education for pupils in rural areas, management training for principals and heads of departments, a bridging period to bring children to school-readiness, a system to promote career education and a comprehensive effort to improve the academic and professional qualifications of teachers.

Programs aimed at active progress towards the goal of parity in the provision of education will be announced in the foreseeable future. This will exert substantial pressure on the treasury in future.

During the coming year measures will be taken in order

to extend the participation of all concerned in education. Further announcements on the continued reform of our educational system can be expected shortly.

The government, in consultation with leaders in the field of education, is furthermore determined to create structures during this year which would soon release equal standards of examination and certification of qualifications for all communities.

## The economy

In the economic field, 1985 was, in many respects, not an easy year for the Republic of South Africa. The instability of the agricultural sector was exacerbated by the drought of the past few years.

In addition, the restrictive economic and financial factors resulted in small profits and a higher debt and interest burden for some sectors of agriculture.

We have been heartened by the abundant rain in most regions which have now brought improved prospects.

Although the current conditions are more favorable, it is essential that the agricultural sector be built up again to ensure an adequate food supply for a growing population.

The adaptation of the traditional land-use practices in the self-governing states should also make a substantial contribution to this.

There were positive developments on the economic front that should make us all more optimistic.

An outstanding highlight in this field was the excellent export performance achieved during 1985. The latest trading statistics reflect the sharp upswing in our exports. The estimated increase in the volume of exports for 1985 (gold excluded) is about 24%, compared to the corresponding period during 1984. In contrast, the volume of imports for the same period declined by about 15%. The current account of the balance of payments recovered from a deficit of 1.4 billion rand in 1984 to a surplus of about R7 billion in 1985.

The Republic of South Africa still places a high premium on the role of exports in its economic growth and development process. The government continued to promote our status as an important and reliable trading partner. This entails not only maintaining and strengthening existing multi-lateral trading agreements, but also the promotion of bilateral and counter-trading transactions.

The success thus far achieved with monetary and fiscal policy is reflected in, among other things, the considerable improvement on the current account of the balance of payments and the decline in interest rates. In this way a new basis has been provided for economic growth.

The latest indications are that the business cycle reached its lowest point in the second half of 1985 and that a new growth phase is now beginning.

The government is concerned about the high rate of inflation, and the combating thereof continually receives attention

at the highest level.

The government is aware of socio-economic difficulties still facing some communities. Nevertheless, good progress has been made in alleviating these circumstances during the past year.

This is evident, among others, from the reforms implemented in the labor field, and the emphasis placed on the provision of housing, the upgrading of black residential areas, and the advancement of entrepreneurship.

## The legislative program

The proposed legislative program and other planned actions for the coming season, confirm the government's commitment to the creation of a framework for equal opportunities.

Among the most important matters that will be translated into legislation during this session, are the following:

- Restoring South African citizenship to black persons who permanently reside in the Republic of South Africa, but who forfeited their citizenship as a result of the conditions of independence of Transkei, Bophuthatswana, Venda, and Ciskei;

- Extension of the powers of the self-governing states;
- The involvement of black communities in decision-making;

- Freehold property rights for members of black communities; and

- A uniform identity document for all population groups.

Proposed legislation which will affect all communities, extend democratic processes, and promote free enterprise, include the following:

- The amendment of the immigration selection policy by repealing discriminatory preference provisions;

- The restructuring of the system of provincial government to involve all communities; and

- Legislation authorizing the lifting, suspending, or amending of unnecessary restrictions on entrepreneurship, particularly with regard to the informal sector.

In this regard, I requested that a bill be presented to parliament this year, which will empower the state president to facilitate the participation of the small entrepreneur in the economy through the suspension of unnecessary restrictive measures.

Any action in this regard will be restricted in scope and subject to parliamentary approval. It is intended only to be applied in the interest of economic progress, competition, and the creation of job opportunities.

Other measures that will follow shortly include the following:

The drafting of legislation to remove existing influx control measures which apply to South African citizens in the Republic of South Africa. The present system is too costly and has become obsolete.



The government is in favor of measures which will facilitate orderly urbanization. Influx control is closely linked to urbanization, and in this regard the government has noted the contents of the report of the President's Council on an Urbanization Strategy for the Republic of South Africa.

A white paper is being prepared in which the government's reaction to the recommendations of the President's Council will be set out, and guidelines will be formulated for a clear and workable strategy in relation to urbanization.

### **Socio-economic development**

I have given instructions that the highest possible priority must be given to the formulation of a socio-economic development plan for the less developed areas and communities. Such a plan, to be submitted to me, is being drawn up in

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*We have outgrown the outdated colonial system of paternalism as well as the outdated concept of apartheid. The peoples of the Republic of South Africa form one nation. But our nation is a nation of minorities. This implies participation by all communities, the sharing of power between them, but also the devolution of power as far as possible and the protection of minority rights, without one group dominating.*

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consultation with the communities and the government departments concerned.

In order to promote our economic development, our export trade, and the creation of employment opportunities for our people, white papers concerning the refining of South Africa's minerals, and our energy policy, will be tabled during this session.

The first regional services council will be established in the near future, through which joint decision-making between all communities will be expanded, and the development of the less developed areas will be stimulated.

### **Framework for the future**

In addition to these concrete reform steps, the government has through the process of negotiation also become conscious of more black aspirations and needs.

This has placed the government in a position where it is possible to outline the framework for further constitutional development to broaden the democracy. This entails the following basic guidelines:

- We accept an undivided Republic of South Africa where all regions and communities within its boundaries form part of the South African state, with the right to participate in institutions to be negotiated collectively.

- We accept one citizenship for all South Africans, implying equal treatment and opportunities.

- We believe in the sovereignty of the law as the basis for the protection of the fundamental rights of individuals as well as groups. We believe in the sanctity and indivisibility of law and the just application thereof.

- There can be no peace, freedom, and democracy without law. Any future system must conform with the requirements of a civilized legal order, and must ensure access to the courts and equality before the law.

- We believe that human dignity, life, liberty, and property of all must be protected, regardless of color, race, creed, or religion.

- We believe that a democratic system of government, which must accommodate all legitimate political aspirations of all the South African communities, must be negotiated.

- All South Africans must be placed in a position where they can participate in government through their elected representatives.

We have outgrown the outdated colonial system of paternalism as well as the outdated concept of apartheid.

The peoples of the Republic of South Africa form one nation. But our nation is a nation of minorities. Given the multicultural nature of South African society, this of necessity implies participation by all communities, the sharing of power between these communities, but also the devolution of power as far as possible and the protection of minority rights, without one group dominating another.

Committed as we are to these norms and values, we will have to defend the South African society against the forces of anarchy which seek to seize a monopoly of power and ultimately rule this nation, through the use of force, by an exclusive political clique. That will make a mockery of liberty.

Liberty is a cornerstone of true democracy and manifests itself on three different levels in our society.

Firstly, on the personal and individual level, respect for and the protection of the human dignity, life, liberty, and property of all.

In no comparable country of the world has so much been done for the socio-economic upliftment of underprivileged communities as has been the case in this country in the short space of a few decades.

Secondly, liberty on the group and community level, which implies respect for and the promotion and protection



of the self-determination of population groups and peoples, whether on a regional or national basis or whether under rural or urban conditions.

In an Africa plagued by civil war and genocide, the Republic of South Africa stands as a symbol of hope for all minority communities.

Thirdly, liberty on the state and national level, to safeguard the integrity and freedom of our country, and to secure the protection of our citizens through the application of civilized standards of justice, order, and security. True democracy for the Republic of South Africa and all its peoples, individually and collectively, must recognize each of these components of freedom. The absence of such recognition will diminish, and not increase, the freedom of our peoples.

I have already stated that I am willing to consider the restructuring and the functions of the president's council to make provision for the participation by leaders of black communities, should the need exist among them to participate in that council.

I now wish to announce that I intend to negotiate the establishment of a national statutory council, which will meet under my chairmanship.

I propose that this council should consist of representatives of the South African government, representatives of the governments of the self-governing national states, as well as leaders of other black communities and interest groups.

Pending the creation of constitutional structures jointly to be agreed upon for our multi-cultural society, this council should consider and advise on matters of common concern, including proposed legislation of such matters.

This council can meet under the chairmanship of the state president as often as needed.

## Conclusion

It is common cause that we have not yet fully achieved all these goals to which I have referred. Yet we have undeniably made significant progress, as evidenced by major on-going constitutional and socio-economic reform.

Those who oppose this approach of evolutionary reform know that the alternative is revolutionary chaos. Fortunately, between them and such chaos, stand moderate and reasonable South Africans.

Let there be no doubt, however, regarding our sincerity and dedication to fulfill our commitments in accordance with the dictates of these norms and values.

We shall do so despite the criticism of those who underestimate or refuse to acknowledge the complexity of our realities.

There are no easy and simple solutions to our challenges, and no ready examples and models for us to reproduce. In addition, the South African government has to prove that true democracy is capable of application in our multi-cultural society. We are determined to address our challenges. We sincerely believe in cooperative coexistence for all South Africans. Let us unite to make this possible.

Mr. Speaker:

It is my prayer that the blessing of Almighty God will guide and support you in your work and deliberations.

I now declare this third session of the eighth parliament of the Republic of South Africa duly opened.

## On Nelson Mandela

Honorable members will be aware that I made an offer last year which could have set Mr. Nelson Mandela free. The principle involved in this offer was not designed as a particular condition for a particular person. It applies equally to all of us and it is assumed that the principle is subscribed to in all civilized countries of the world. The principle simply proscribes the use of violence to achieve political objectives. Mr. Mandela is therefore, in effect, being jailed by the South African Communist Party and its affiliate, the African National Congress. For obvious reasons, it suits them that he remains in prison. They have much to gain while he remains where he is. In the meantime, the continuation of violence in South Africa affects all South Africans. The government cannot abdicate its responsibility for maintaining order and ending violence and the government does not intend doing so whether Mr. Mandela is released or not.

I am conscious of the fact that Mr. Mandela has been in prison for a long time and that he is now in his sixties. I have given this matter much thought. I stated last year that, in principle, I would be prepared to consider his release on humanitarian grounds.

But I think also of Captain Wynand Petrus Johannes Du Toit at present held in an Angolan prison.

I think also of persons like Andrei Sakharov and Anatolii Shcharanskiy. A significant difference between Mr. Mandela and Andrei Sakharov, for example, is that unlike the acts of violence and sabotage of which Mr. Mandela was found guilty, the acts which Mr. Sakharov committed were non-violent expressions of opinion. Mr. Sakharov has, moreover, indicated that he would agree, if allowed to leave the U.S.S.R., not to criticize the Soviet Union on any sustained or major basis.

For many years, Anatolii Shcharanskiy was the subject of continuous harassment, surveillance, and interrogation by the Soviet authorities. In March 1977, he was arrested by the Soviet secret police and detained in Moscow's Lefortovo Prison until his trial in July 1978. Convicted on charges of "treason" and "anti-Soviet agitation and propaganda," he was sentenced to thirteen years in prison and labor camps. His present state of health gives rise for serious concern.

I should now like to pose the following very important question:

If I were to release Mr. Nelson Mandela on humanitarian grounds, could Captain Wynand du Toit, Andrei Sakharov, and Anatolii Shcharanskiy not also be released on humanitarian grounds?

A positive response to this question could certainly form the basis of negotiations between interested governments.

# Making the deserts of Africa bloom

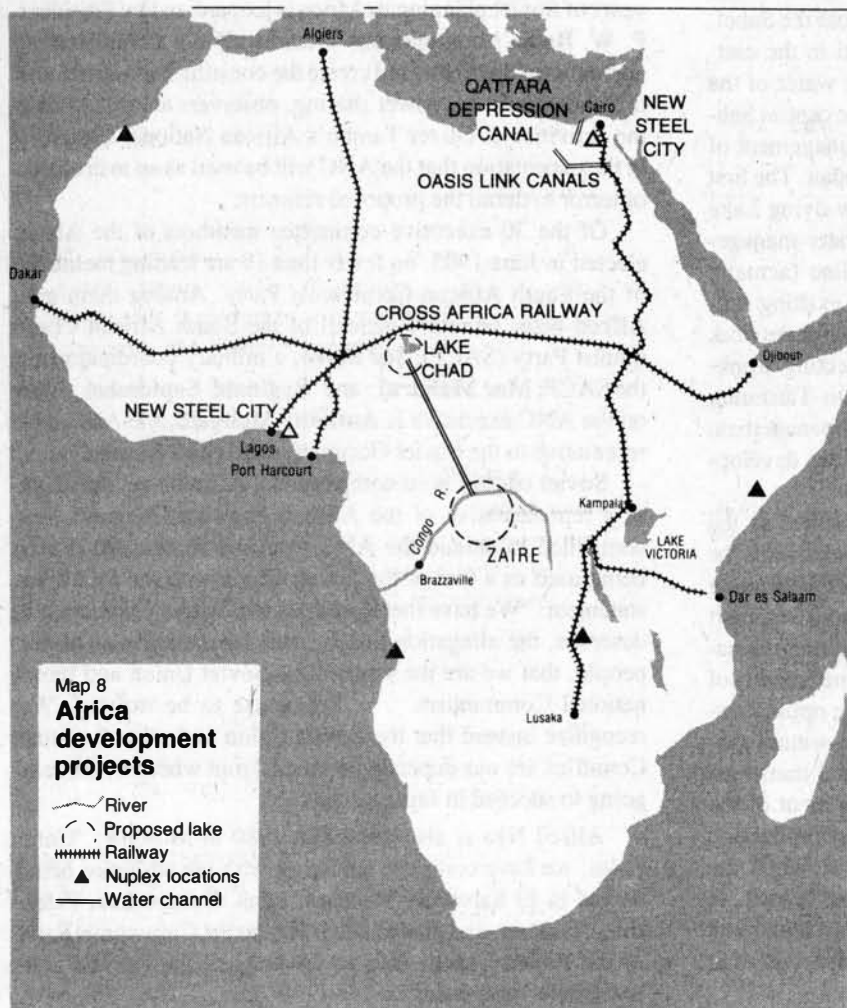
South Africa, with its industry, skilled workforce, and rich natural resources, is excellently positioned to facilitate the rapid industrialization of Africa as a whole. The following outline of a program for African development is excerpted from The Independent Democrats' 1984 Platform, the presidential campaign platform of Lyndon LaRouche, Jr. and Billy Davis.

Approximately 120 million persons in black Africa are presently faced with death from famine and epidemic. An estimated 60,000 black Africans are dying each day of causes

attributable to food shortages. Although the extremes of poverty among these new nations are a relic of European colonialism and the earlier direct and chain-reaction effects of two thousand years of the slave-trade, the present peril of black Africa is caused by the coincidence of the prevailing monetary and international-banking policies with the policies of influential Anglo-Saxon eugenicists and other Malthusians who welcome a solution to the alleged "over-population" of black Africa.

*In fact, Africa is the world's most under-populated continent.*

In the north of Africa, the present dictatorship of Libya is the chief instrument within the continent threatening the stability and continued existence of the nations of Morocco, Algeria, Tunisia, Egypt, Sudan, and many among the states of the Saharan and sub-Saharan region. The susceptibility of increasing portions of the populations of these nations, to insurgencies mediated through the Libyan dictator, is fostered by the spread of despair, of cultural pessimism. This despair is nourished by persistence of conditions which have existed and generally worsened since the middle of the 1960s. Newly liberated former colonies, which once hoped to par-



*Great Projects to develop the African continent: Vast sections of the desert can produce high food yields with only the addition of water and good seed stocks. The development and management of the Upper Nile watershed, and the development of the Congo, can transform Africa into the food production center of the globe. The basic requirement is a railroad line criss-crossing the continent.*

ticipate in technological progress, are being driven into worsening conditions instead. This feeds despair, and the cultural pessimism of despair fosters susceptibility to the influence of dark forces of murderous irrationalism.

Needed emergency actions to halt the genocide, and medium-to-longer-term measures to develop the entirety of this continent, are complementary. Immediately, to stop the extinction of tens of millions of Africans by famine and famine-fostered epidemics, we must bring emergency food relief. The additional problem is, that rarely do we find the means to transport the food where it is desperately wanted. . . .

The objectives of food relief must be:

- To bring the food relief to the locales in which the needing population lives and works;
- To supplement food relief with measures which aid in restoring the affected villages and their inhabitants to dignified self-subsistence.

For the longer term, Africa's most fundamental needs are the most basic of economic infrastructure and increased production of food: water-management, transportation, energy, and agriculture.

The heart of the solution for the urgent needs of the continent as a whole is a rail-system cutting across the Sahel, preferably from Dakar in the west, to Djibouti in the east, and a redistribution of water, from the surplus water of the rain-forest region of north-central Africa into the central Sahel. The water-supplies must come from the management of the Zairean and Victoria region and southern Sudan. The first line distributes water to the region around now-dying Lake Chad; the second is a program of cooperative water-management of the Nile system. The east-west rail line (actually projected as early as the 1870s!) intersects the existing railway systems of Nigeria and Egypt-Sudan. The rail network must then be extended by north-south intersecting trunk-lines: north-south from Algeria, and south into Tanzania. Without these two sets of measures of water-management and railway development, the rational economic development of the continent as a whole is impossible.

The east-west rail line, across the Sahel, serves as the indispensable logistical base-line for deploying to reverse the present spread of the Saharan desert into the Sahel. By joining this with north-south links, this rail system plays a vital part in fostering initially modest but crucial trade among the nations of both Arab and black Africa. The combined effects of railway development and water-management are optimal exploitation of combined railways and navigable waterways, creating the beginnings of a functioning internal transport-system. This development, enriched by development of the beginnings of a continent-wide system of energy production and distribution, provides the logistical basis to begin the improvement of agriculture throughout much of Africa, in depth. Politically, it aids African nations, by strengthening the benefits each local sector of the population enjoys through aid of the government's central authority.

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## African National Congress

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# A Soviet tool in the Southern Cone

by Our Special Correspondent

The African National Congress, contrary to bleeding-heart liberals, does not genuinely represent Black aspirations in South Africa. Rather, it has become a Soviet-controlled organization, although it did not begin as such. Now, as 40 years of Soviet planning in Africa is jeopardized by President P. W. Botha's commitment to dismantle the administrative apparatus of apartheid and create the constitutional structures in South Africa for power sharing, observers are monitoring the activities of Oliver Tambo's African National Congress in the expectation that the ANC will be used as an instrument of terror to derail the proposed reforms. . . .

Of the 30 executive committee members of the ANC, elected in June 1985, no fewer than 19 are leading members of the South African Communist Party. Among them are: **Alfred Nzo**, secretary-general of the South African Communist Party (SACP); **Joe Slovo**, a military coordinator for the SACP; **Mac Maharaj**; and **Reginald September**. Also on the ANC executive is **Anthony Mongalo**, the ANC representative to the Soviet Occupied Zone (East Germany).

Soviet control is so complete that Alfred Nzo, speaking as a representative of the African National Congress, felt compelled to defend the ANC from the charge that it was being used as a tool of the Soviet Union with the following statement: "We have therefore rejected, with the contempt it deserves, the allegation that is made by the enemies of our people, that we are the tools of the Soviet Union and International Communism. . . . We refuse to be isolated. We recognize instead that the Soviet Union and other Socialist Countries are our dependable allies, from whom no force is going to succeed in separating us."

Alfred Nzo is also quoted in 1980 in Moscow: "Comrades, we have complete solidarity with the struggles being waged in El Salvador, Vietnam, Laos, Kampuchea, Palestine, Namibia, and Puerto Rico. Hail to the Communist Party of the Soviet Union! Hail to the units of the world's anti-imperialist movement."

The ANC was not always run by the Soviets, as a brief review of its history shows.

In 1912, the African National Native Congress was formed, soon becoming the African National Congress. Historically, the ANC would become the main vehicle to try to win equal political rights and the abolition of the pass laws, transcending tribalism. A nodal point in the ANC's history came in 1943, when under the leadership of Anton Lembede, the ANC Youth League was formed. The leadership of this group included the anti-communist **Nelson Mandela**, who had emerged as a young leader of the ANC in 1937, and **Oliver Tambo**. In fact, Tambo and Mandela tried, without success, to force through a measure forbidding members of the ANC from also belonging to the Communist Party of South Africa (CPSA).

The CPSA had come into being in 1921, when the International Socialist League (ISL), itself a radical breakaway from the South African Labor Party in 1915, united splinter organizations and formed the Communist Party of South Africa. In 1922, the CPSA involved itself in the mineworkers rebellion in the Witwatersrand under the racist slogan, "Workers of the world unite and fight for a white South Africa." After that debacle, the CPSA began to recruit among the Black population of South Africa.

### Communists go underground

In 1950, the CPSA was banned in South Africa, leading to the underground founding of the South African Communist Party (SACP) in 1953. The ban spurred a massive redeployment from the CPSA to the ANC, beginning the process that would lead to the takeover later.

In 1953, a call for an ANC national convention was issued by one M. K. Matthews, who came to South Africa from the United States. The call led to creation of the South African Coloured People's Organization (SACPO) and the Congress of Democrats (COD), both of which participated in the 1955 "Congress of the People." The COD mainly consisted of whites, either ex-CPSA or members of the Liberal Party of South Africa.

Out of the 1955 "Congress of the People," the South African Congress of Trade Unions (SACTU) was created. That same Congress adopted the "Freedom Charter," later taken up by the SACP as a policy of "the general statement of aims of a state of national democracy."

What ensued was a textbook case of communist manipulation of factional differences inside the ANC for the sole purpose of expanding the communists' power. The adoption of the Freedom Charter led to the expulsion of the rival "Africanists" (Black nationalists) from the ANC, who later formed the Pan Africanist Congress (PAC). In this period, the Communist Party began to exert significant influence in the ANC.

In 1958, after a violent confrontation in Transvaal between Africanists and the communists of ANC, the African-

TABLE 1

### Soviet heavy weaponry in southern Africa (1982)

Country	Fighter aircraft	Tanks	Armored cars	Armored troops carriers	Medium artillery
Angola	41	264	300	412	550
Mozambique	24	195	200	300	128
Zimbabwe	20	38	109	20	59
Zambia	50	30	65	46	1
Tanzania	56	135	30	100	194
Botswana	0	0	30	0	0

ists were expelled from the ANC, and the following year, the Pan Africanist Congress was formed. The new PAC took the lead in 1960 in militant moves against the apartheid pass laws. In the growing climate of confrontation, the Sharpsville massacre occurred, and a State of Emergency was declared on April 8, 1960.

### Turn toward terrorism

The year 1961 was an inflection point in the Communist takeover of the ANC, which had been discredited among Blacks by its failure to take a leading role in the anti-apartheid political movement. Their answer, to recoup credibility, was terrorism. In June, Mandela and others met and launched *Umkonto we Sizwe* (Spear of the Nation) (MK), the military arm of ANC, which launched its first attacks that December. MK was controlled by the Revolutionary Council, which the ANC runs jointly with the Communist Party. Besides the ANC chair, **O. R. Tambo**, other members included: **Joe Slovo**, of the SACP, **Dr. Y. Dadoo**, chair of the SACP and vice-chair of Revolutionary Council of the ANC, and **Alex La Guma** of SACP and ANC chief representative in Cuba.

TABLE 2

### Troops deployed to southern cone

	U.S.S.R.	Cuba	East Germany
Angola	500	14,000	2,500
Mozambique	1,000	1,500	500
Zambia		300	
Tanzania	400	450	

There are 2,000 East German civilian personnel in Angola and 1,000 in Mozambique, many of whom work in police or security areas. Most recently, there have been an additional 1,000 Soviet troops and 15,000 Cubans deployed to Angola.

Tambo and Dadoo, with Moses Kotane, J. B. Marks, and Dinna Kokwe. Training for ANC terrorists began in Ethiopia.

In 1963, the ANC opened offices in Algeria, London, and later headquarters in Lusaka, Zambia. In July, a police raid on Liliesleaf Farm outside Johannesburg seized documents on bomb manufacture and revolutionary plans titled "Operation Mayibuye," in what bore all the earmarks of a Communist set-up. Nelson Mandela, Walter Sisulu, Govan Mbeki, and Denis Goldberg were arrested. Later Mandela's defense counsel—Bram Fischer—was also arrested and sentenced to life in prison.

It was the Morogoro conference of 1969 that established the Revolutionary Guerrilla mode for ANC and further consolidated SACP control of ANC. SACP member **Reg September** was made head of the ANC Office in London; **Tambo** became president general of ANC; **Alfred Nzo**, secretary general; **J. B. Marks**, chairman NEC; and **Moses Kotane**, treasurer general. Kotane, a long-time leader of the SACP, had played the key role since the late 1920s in mediating acceptance of Communists inside the ANC.

From 1969 on, evidence of the iron grip of the Communist terror apparatus over the ANC has accumulated. Only a few highlights can be reported here: In a notable incident in 1975, the ANC expelled eight leaders for criticizing SACP control. When the SACP's 60th anniversary was celebrated in London in July 1981, SACP leader Dadoo shared the podium with ANC chair Tambo, and the heads of Irish and British Communist Parties.

In 1977-79, terror began against "soft" police and military targets. From 1981 to 1986, terrorism steadily escalated, leading to the declaration of a State of Emergency in 1985, which continues to this day in certain areas.

### **Soviet commitment to the region**

These years have also seen a prodigious expansion of Soviet military, "diplomatic," and intelligence commitments in southern Africa. The accompanying table showing their military presence in 1982 is formidable, even without taking into account the qualitative and quantitative growth in the last four years.

ANC currently has offices in 61 countries, the most important of which are in London, England; Lusaka, Zambia; and Luanda, Angola. The Soviet Union maintains very active embassies in all these countries. In Angola, the Soviet presence included troop leaders to the company level during the past year's offensive against the forces of Dr. Jonas Savimbi. Outside Luanda there is a training facility for the ANC staffed by North Korean, East German, and Bulgarian instructors capable of processing 600 recruits per session. The largest office of the ANC is in Zambia where, at the instruction of Foreign Minister Geoffrey Howe, the British government recently opened discussions with the ANC.

In Zambia, aside from a major ANC presence, there are also large-scale Soviet operations in place through the Soviet

embassy. In Zimbabwe, where ANC does not have an office, operations are run through the Soviet embassy in Bulawayo—among them, the terror attacks against farmers so widely reported in the Western press.

Soviet presence in the Southern Cone of Africa is wildly disproportionate to diplomatic needs. The embassy in Botswana has at least 90 personnel. The embassies in Angola and Mozambique are about 100 persons each. Mozambique intelligence services are run by East Germany. There is a large embassy in Swaziland. Even tiny Lesotho merits Soviet presence, and training of its police force by East Germany.

In the case of Lesotho, it is entirely possible that the Soviet operations there convinced the Lesotho military to depose that government out of fear that the Jonathan government had grown so close to the KGB that no one would be safe. It is reported that in the immediate wake of the coup, 17 Cubans were executed, and military sources report that the "raid" which resulted in nine executions of low-level members of the ANC and precipitated the crisis there, was actually a KGB "wetworks" operation aimed at destabilizing South Africa. The expulsion of 19 North Korean diplomats on Feb. 4 lends credence to these reports.

Four sectors of the Soviet bureaucracy deal with southern Africa. They are: a section of the Africa Institute of the U.S.S.R. Academy of Sciences; the largest section of INU (propaganda) department of the KGB; one of three sections of the Foreign Ministry dealing with Africa; and one of three African sections in the International Department of the party apparatus.

In 1976-1981 Vasily Solodovnikov, the former head of the Africa Institute of the Soviet Academy of Sciences, served as ambassador to Zambia. He was replaced at the Africa Institute by Anatoly Gromyko. On Gromyko's arrival at the Africa Institute, six additional policy specialists were assigned, transforming the Institute from a development think tank to one more concerned with strategic policy. In 1981, Solodovnikov was replaced in Zambia by Vladimir Cherednik, former deputy chief of the Department of International Economic Affairs in the Foreign Ministry and former ambassador to Ghana.

Security specialists have raised the issue, in the face of the evidence of the Soviet commitment to the Southern Cone, that the ANC and the Soviets must do something quickly to destabilize South Africa in an effort to derail the Botha reforms. One of the options available to the ANC is the murder of Bishop Desmond Tutu.

It is certain that Tutu's image has been cultivated in the Western press far beyond his influence on the internal political situation in South Africa; in that sense, Tutu is more valuable to the ANC as a martyr. Such a murder could be expected to cause civil disturbances in South Africa and worldwide outrage. If such a crime occurs, one need look no further than the Anglo-Soviet circles who elevated Tutu as a sacrificial lamb on the altar of a New Yalta, to find the owners of the assassins.

## Savimbi warns Soviets, Gulf Oil

*The following is taken from a televised interview granted by Dr. Jonas Savimbi, leader of the pro-Western UNITA rebels (National Union for the Total Independence of Angola) to columnists Roland Evans and Robert Novak, Feb. 1 in Washington, D.C.*

**Mr. Evans:** *The Washington Post*, Dr. Savimbi, ran a long article by a liberal reporter named Sanford Unger the other day in which he said, "U.S. aid to you, your movement, would only prolong, not shorten, the war." How do you answer that criticism, Dr. Savimbi?

**Dr. Savimbi:** It is the contrary. Because of the Clark Amendment, the Russians had a green card to intervene in our country, and from 12,000 Cubans, now we have 45,000. If you were present, I think the Cubans and the Russians will not extend their domination to our country. It is your absence which makes the Russians more daring.

**Mr. Novak:** Dr. Savimbi, there has been a lot of publicity, naturally, in this country about the Gulf Oil operations at Cabende in Angola which supplies a very badly needed capital foreign exchange for the Angolan communist government. You have not attacked those installations. Why not?

**Dr. Savimbi:** One, it is very far from our aegis (agents), but we are in a position to do it. I want to make a distinction. One, is the American citizens that we don't want to harm. The other thing is the Gulf Oil, that we were pleased with the statement of the Assistant Secretary, Dr. Crocker, when he said that they should just know that they are in a very critical area, where there is a civil war going on. I think this is a warning from the administration to them that they have to take risks and I think it is wrong, morally wrong, for the Gulf to pay for the Cubans to kill the indigenous people of Angola.

**Mr. Novak:** You're saying that in the future, as the war spreads, it's possible that the Gulf Oil installations will be attacked by your forces, the installations?

**Dr. Savimbi:** It is what I'm saying.

**Mr. Novak:** Now one other question, the Gulf people claim that they are teaching capitalism, private enterprise, democracy, to the Angolan workers. Is there any truth to that, do you think?

**Dr. Savimbi:** I think—let us say that they are not telling the truth because how you teach capitalism in a communist country. Let me say that they are exploiting oil and that they are paying the Angolans. That's good. But to say they are teaching capitalism, that's wrong.

**Mr. Evans:** Dr. Savimbi, let me quote Jonas Savimbi, to you, sir. "The MPLA," that's the Marxist government in Luanda, in Angola, "The MPLA government pays Castro \$1,000 a month for each Cuban soldier in Angola for a total of \$480 million a year." How much of that money, sir, comes from American oil companies?

**Dr. Savimbi:** Gulf is paying \$1,700,000,000 a year to the MPLA, and now they are already at the point of \$2 billion a year.

**Mr. Evans:** If that installation, if the revenue, the monies that come from those oil operations in Angola, were denied to the Marxist government, would your movement be vitally affected in a positive way?

**Dr. Savimbi:** I think that if we cut the oil, whatever the way, that it will shorten the war.

*The following is excerpted from remarks by Dr. Savimbi before the National Press Club in Washington, D.C. Jan. 31, 1985.*

We had a traditional government which worked well. Only the intervention of 12,000 Cubans has stopped the government from functioning. People say, "But now you are getting support from South Africa." When you fight a war, you get support from wherever it comes. But also, we are not only getting support from South Africa. I'm getting support from many Black, independent African countries. . . .

Do we in UNITA condone apartheid? No. How, as a Black man, a Black leader, can I accept apartheid? No. And I think apartheid is being dismantled at home and abroad. But the choice of saying, "Let us first deal with apartheid, then next we deal with Soviet expansionism"—to say that is agreeable, to my mind it is not, because if we find it wrong for the white South Africans to deny opportunity to Black people in South Africa, so they have to work so that they will be able—all groups in South Africa to work together and to share their own destiny, it is also not right—we condemn that white Cubans, white Russians that they should dominate, oppress, kill the indigenous people from Angola.

Furthermore, does South Africa have any possibility of expansion? On my own understanding, no. But the Soviet Union is the most important empire at this time in the world. And Gorbachov, since he came to power, we saw him acting more aggressively against the Afghans, against the Cambodians, against the Eritreans, and against us.

If you set your priorities, at first is apartheid, then it is the Cubans and the Russians in Angola, you may get them in the Cape. It will be too late.



## Qaddafi faces internal challenge

*There's a lot of infighting going on, which may mean this is the best time to strike at the dictator.*

According to European intelligence sources, Libya is about to face yet another major internal crisis. The present political and military crisis with the United States is directly exacerbating the internal situation. If any lessons can be drawn from previous crises with Qaddafi, the mad ruler will react in a predictable fashion: flight forward.

On Nov. 24, a longstanding associate of Qaddafi, Col. Hassan Skhal, was summarily executed. A close cousin of Qaddafi, from the Qaddafa tribe, Skhal's military career had included responsibility for Qaddafi's personal protection. Rumors say Skhal, whose wife is Egyptian, was accused of being an Egyptian or an American agent. The execution occurred at Qaddafi's headquarters.

However, something deeper may be at issue. The execution coincided with another attempt by Qaddafi to dismantle the Libyan armed forces and replace them with the more politically reliable Revolutionary Committees. Scores of military leaders have been purged in recent months, and it was reliably reported that during the September 1985 crisis with Tunisia, several garrisons disobeyed orders from Qaddafi to go on a state of alert. Skhal had reportedly become dangerously popular in army ranks.

Expected to follow Skhal's fate, if not physically, then politically, are even some of Qaddafi's closest associates, such as the Qaddafadam brothers, Said and Ahmed, who have been Tripoli's intelligence troubleshooters in Europe and the Middle East. Khal-

ifa al Hanish, another close associate whose position was momentarily upgraded after Skhal's murder, is not expected to remain in such a position for long. Instead, Qaddafi is engaged in a process designed to give his Revolutionary Committees more power.

For Qaddafi to purge his closest associates is nothing new. Of the dozens of officers who helped him to power, few remain. In 1970, 1973, and 1977, Qaddafi purged the country of anyone he might have deemed a potential opponent. In 1973, he created the popular committees, unleashing a Mao-style "cultural revolution." In 1977, when the country was officially declared a *Jamaariyyah* (rule of the masses), such committees took over many of Libya's economic institutions.

However, Qaddafi was careful to define what the committees could not yet take over: the army, the banks, and the oil companies. Local management of the banks was taken over in the late 1970s, but taking over the army has proved a very difficult task. Each attempt to do so has led to coup bids (1973, 1975, 1977, 1980), the commando attack in May 1984, and the military revolt of August 1985.

Each coup was defeated, thanks to Qaddafi's friends internationally, East and West. In 1980, for example, President Carter, who had prevented Egyptian President Anwar Sadat from destroying Qaddafi in 1977, feared that a successful coup would enhance the power of Egypt in the region. The repression which has followed such revolts, has been coordinated by Qad-

dafi's thousands of East German advisers.

Only a very small core of Libyans is still considered reliable enough to be members of the inner Revolutionary Council. These are Gen. Ali Bakr Jabr Younes, army chief of staff; Khawildi Hamaidi, de facto defense minister; General Kharroubi, and his personal assistant, Jalloud.

Outside of the Council is the enigmatic figure of Col. Ali Bakr Younes, a career officer, who was appointed "minister for external security" in February 1984. He is said to have been demoted in the spring of 1985, and even to have defected to West Germany in the fall of 1985. In a lengthy interview to the *La Repubblica* of Rome in October 1985, he dispelled such rumors. The rumors were likely spread by Libya intelligence itself, to give Younes better cover for his intelligence work in Europe. His role was to finger targets for assassination by the Revolutionary Committees' assassination bureau.

That bureau has recently been reorganized again. It is led by Musa Kusa, a former diplomat in London; Sayyed Rashed, a Libyan terrorist wanted in Italy and arrested and released in France; and Abdullah Senousi, who headed Libya's internal security until a 1981 purge, and whose comeback underlines Qaddafi's lack of manpower. Victims of the reorganization have been numerous: The ministers of heavy industry, education and agriculture are expected to be purged. Even the role of Foreign Minister Ali Treiki has been questioned recently by the Committees. The secretary of the Committees himself, Mohammed Mahjdoub, was purged in early January.

The implications of such infighting should be obvious: It may be the best time to strike at Qaddafi.

## **Pope in India: morality in economics**

*Forces around Cardinal Martini in Italy, however, seem to be pushing for a post-industrial utopia instead.*

**O**n Feb. 1 the Pope began his ten-day trip to the Indian subcontinent. Following the tradition of Paul VI, the first Pope to go to India, in 1964 during the Vatican II Council, John Paul II will take words of hope and justice to India.

He will confront the debt problem which is suffocating the developing countries' economies and—as was announced by an Indian bishop interviewed on Vatican Radio—he will denounce the usurious economic policies implemented by international monetary institutions.

The Pope's trips abroad have taken on greater and greater social and political, as well as religious, importance, because they are occasions for clinching the concept of respect for the inalienable rights of all men and for denouncing underdevelopment. "Every new international system must be based on the personal commitment of making the primary and basic needs of humanity the first imperative of international policy," the Pope said in his message for the 19th World Day of Peace.

On that occasion, John Paul II had condemned all theories that attempt to justify or to legitimize the *status quo* or conflicts, as normal or inevitable. The Pope had criticized Social Darwinism and economic liberalism, repeating the "necessity of considering the common well-being of the entire family of Nations," as not only an ethical, but a juridical duty.

The Extraordinary Synod of Bishops, recently concluded in Rome,

charged the entire universal Church with the great responsibility of implementing the Pope's messages in favor of a more just world order. This is the reason for the renewed attacks on the Pope coming from the promoters of a cynical "New Yalta" deal, to divide up the world between Eastern and Western empires. The Soviet review *Science and Religion*, in its latest issue, accused the Pope of going on a pro-American binge. Death threats from fanatical religious groups against the Pope's person have come from various Indian press agencies and journals. A so-called Front for Sikh Liberation sent death threat letters against Rajiv Gandhi, announcing terrorist actions in India coinciding with the Pope's visit. Death threats were also sent to Cardinal Ratzinger, who had a key role in the Synod proceedings.

A Catholic monthly in Italy reports that traditionalist groups around Monsignor Lefebvre are expanding and opening new seminaries in Africa, India, and France, and calling for revolt against Rome, Vatican II, and the latest Synod.

In the opposite camp, but also critical of the Synod, are the friends of Cardinal Carlo Maria Martini, Archbishop of Milan, the Stensen Institute of the Jesuit Fathers in Florence (noted for having hosted meetings of autonomous movements during the years right before the terror wave in Italy), the monastic community of Camaldoli, and the review *Il Regno*. These banded together in Assisi barely 20

days after the Synod for a conference called "Vatican II in the Italian Church: Memoires and Prophecies."

The most important conclusions of the Synod were deliberately underplayed. Martini attacked the Synod fathers' decision, taken at the behest of Cardinal Ratzinger and others, to write a universal catechism. "One would risk," said Martini, "imposing on all the churches a single language of communication of the faith"—showing a failure to understand the Synod's distinction between plurality, and pluralism, which was defined as "leading to dissolution, destruction, and loss of identity."

Cardinal Martini seems equally confused on economic issues. Speaking to a conference on youth unemployment organized by the Milan diocese in early January, he practically lined up with the promoters of a collectivist, post-industrial utopia. In a series of complicated circumlocutions, Cardinal Martini got across the idea that neither capitalism nor healthy profit is ethical; instead of pinpointing the ills that afflict society in the evils of economic liberalism, the Cardinal preferred to condemn the entire economic "system." St. Bernardino of Siena, the fiery preacher against usury who participated in the 1439 Council of Florence, had clearer ideas about economics back in the 15th century!

It cannot be ruled out that the Milan Archbishop's novelties might find a consensus behind the Iron Curtain in the obscurantist and anti-Western circles of the Russian Orthodox Church. Informed circles in the Vatican maintain that Cardinal Martini, who frequents the monastery of Mount Athos and supports the anti-capitalist theories of the former head of the American Benedictines, Rembert Weakland, is the Russian Orthodox Church's favorite candidate for the succession to the Holy See.

### A state funeral for decoupling

*Why did the funeral of Madrid Mayor Tierno Galván become the biggest propaganda event in years?*

On Tuesday, Jan. 22, the city of Madrid was paralyzed, as 1 million people gathered in the central "Cibeles" square for the funeral of the mayor of the city, Enrique Tierno Galván. The fact that the ceremony took place in the square dominated by the statue of the Gnostic mother-goddess Cybele gave a little pagan touch to the event. Galván loved that statue so much he even presented a perfect copy of it to Mexico City.

The event has dominated political talk ever since. In order to personally lead the funeral cortège, Prime Minister Felipe González cut short his summit with Italian Premier Bettina Craxi in Sicily. The mayors of all of Spain's cities converged on Madrid to attend the last rites. The national media prepared the mood of the population with days of intense emotional campaigns around the figure of Galván. All public offices and schools in Madrid were closed for three days as a sign of mourning.

Why was the funeral of a mayor turned into a huge state event, even at the national level?

"God never abandons a good Marxist," Galván used to say—a phrase repeated over and over by the press, in an obvious effort to generate a cult of the agnostic, Marxist mayor, "mayor of all the people of Madrid," of communists and Catholics, left and right alike, under the banner of Spanish neutralism.

Tierno Galván was the translator

of Ludwig Wittgenstein's *Tractatus*, published in Spain in 1957. As a teacher at Salamanca University then, he was the reference point for the neopositivists of the Vienna school of Wittgenstein and Karl Popper, the infamous center which spread the disease of formal logic to every aspect of physical and social life.

This current of thought is the theoretical foundation of the International Institute of Applied Systems Analysis, probably the most important nodal center for coordinating strategic policies along the lines of "conflictual agreements" between the Russian empire, and the Western supranational structures like the International Monetary Fund. (Not to mention its role as a frank center of Soviet technological espionage.)

At the time of his translation of Wittgenstein, Galván created the Association for the Functional Unity of Europe. This is the kind of "synarchist" Europeanism which, instead of the Europe of sovereign nations, aims at instituting a Europe led by supranational institutions, with the nations splintered into local and regional entities little bigger than tribes. This prospect is perfectly coherent with the Russian empire plan to take over Western Europe, reducing its nations into satrapies of Great Mother Russia.

It also fits, that Galván, besides being a notorious supporter of Libyan dictator Qaddafi as an anti-American instrument in the Mediterranean, has

in recent years pushed the anti-NATO campaign, calling for "dissolution of the blocs" with the pacifist demagoguery so typical of Russian official propaganda.

Before he became mayor of Madrid in 1979, with the sponsorship of Premier González's Spanish Socialist Workers Party, Galván had been the leader of a little Popular Socialist Party of Marxist leanings, which he created while working as a professor at Bryn Mawr University in 1974, during his exile to the United States in the time of the Franco regime.

Spain today is on the verge of being called to a popular referendum organized by the Socialist Prime Minister González, on whether or not Spain should remain in NATO. The González government supports the idea of being in NATO, but from a strictly neutralist standpoint, based on the prospect of widening the gulf between the United States and Europe. Testimony to this was the recent European Community summit on terrorism where Spain was the country which most ardently backed the Greek position of not naming Libya as a country responsible for terrorism.

The González line, expressed by a 10-point memorandum issued in 1984, is: Be part of the Atlantic alliance, without taking part in its military command, and while reducing U.S. troops in Spain; say "no" to the nuclearization of Spain; say "yes" to signing a nuclear non-proliferation treaty; be part of the Western European Union; work in the context of the European disarmament conference; work in particular with other European countries for the continent's defense. Translated into current strategic terms, this reads, decoupling from the United States.

It was in order to push this policy with a big death-cult emotional wave, that the death of Galván was turned into Spain's biggest spectacle in years.

## Thatcher due for the 'Nixon treatment'?

*The British prime minister will fight, but the question is, will she fight for a good cause.*

Curious scenes in the House of Commons, these days. Tory Members of Parliament are seen hunting some of Mrs. Thatcher's closest personal associates; cries of "cover-up" rise not only from Liberal and Labour benches, but also from the Conservatives' own. Back-bench discontent has also rippled forward, into circles traditionally loyal to the prime minister. Fleet Street and the rumor mill are making sure that the Westland affair, the trivial incident which set it all off, will not die down.

The latest twist came from the House of Commons Select Committee on Defense, which is investigating the labyrinthine meanderings of the government's handling of the Westland affair. The awkward attempt by the prime minister to ascribe responsibility for various (very trivial, as governments go) wrongdoings, to senior civil servants rather than to her own ministers and associates, has resulted in relentless questioning from the MPs, and a clampdown by the prime minister. Former Industry Secretary Leon Brittan refused to answer questions.

Taking their revenge on years of being bullied by Thatcher, some Tory MPs are even calling for the prime minister to resign, as did Sir Anthony Meyer. The rumor mill has it that some of the Tory opponents will run a "stalking horse" candidate to challenge Mrs. Thatcher for party leadership next fall. "Bewilderment and anger," "outrage" are the most common descriptions of the state of mind of the parliamentary conservatives. Among

the Tory bigwigs, Sir Humphrey Atkins, the head of the Defense Select Committee, is pressing ahead to "get the truth out," and interrogate some of Mrs. Thatcher's closest associates. Sir Anthony Buck is rebuking the government's attempt to protect its civil servants from parliamentary interrogation. Sir Anthony Kershaw, chairman of the Foreign Affairs Select Committee, also demands "the truth."

The upshot of the burning love for truth that seems to agitate the lobbies of the Commons is that, after having lost two cabinet ministers, Mrs. Thatcher may yet lose two of her trusted personal advisers, Press Secretary Bernard Ingham and principal private secretary Charles Powell, who are bidden to answer the Commons' summons.

Interestingly, the assault against Mrs. Thatcher does not only come from the "wet" benches of Parliament—Labour, Liberals, Social Democrats and liberal Tories—but also from "right-wing" Conservatives, such as Winston Churchill III, whose own record of morality sank a few years ago in the Kashoggi family affairs.

"Thatcher on trial with Tory MPs over leadership," the *Times* headlined a lead article on Feb. 3, reporting that, contrary to the loyalty of rank-and-file Tory members, there was an increasing sentiment about the parliamentarians that she should "bow out gracefully" before it was too late and she dragged them down into defeat: "Even those who had previously stood be-

hind Mrs. Thatcher through thick and thin [are] saying that the time [is] approaching for the leader to come to the aid of her party," by stepping down.

Names of potential successors are being canvassed, from Party Chairman Norman Tebbit to Foreign Secretary Geoffrey Howe and Home Secretary Douglas Hurd. The liberal establishment, whose control over the media is unchallenged, is fanning the flames. At present, the prime minister is being forced to take a great deal of account of the views of various power groups in the Conservative Party, contrary to her longstanding tradition of rushing ahead regardless, and asking questions later.

It is difficult not to remember the fate of Richard Nixon. Not that there is any useful individual comparison—but just as Richard Nixon had done nothing essential to provoke the wrath of the Eastern Establishment of the United States, but was not considered the appropriate man for the tasks that were ultimately fulfilled by Jimmy Carter, Mrs. Thatcher is too marked in the "Atlantic" direction, she is too strongly tied in the "coaching" of President Reagan. Westland is not Watergate, but the pattern is discernible: from a trivial affair which had little to do with the premier, into forcing the premier to make massive tactical mistakes, enmire him (or her) in a morass of petty maneuvers aimed at saying the skin of her closest associates, losing them one by one as "fuses blow up" to protect the prime minister. Ultimately, her authority gets eroded, her leeway curtailed, rebellion grows, and the choice is presented to her, to leave or lose.

A great difference, of course, is that Mrs. Thatcher will fight—and perhaps this time orient her fighting spirit to a good cause, which might provoke some interesting policy fireworks in London.

## Sikh terrorism hits London

*And once again, the British authorities are doing everything in their power to do nothing.*

**T**he terror rampage which killed 17 people this January in Punjab, is now threatening the 300,000-person community of Sikh immigrants in London. Three moderate Sikh leaders have been shot in London in the past three months, with one killed and two grievously injured.

On Jan. 27, the "Sikh Liberation Front" sent a letter to the London *Daily Mail* claiming credit for the murder of Prime Minister Indira Gandhi, and releasing a hit list, leading with "a senior diplomat in the Indian High Commission in London, a member of the Indian Cabinet, President Zail Singh, and 35 spindly legged Hindu politicians. After that, a nice sophisticated bomb will finish Mr. Rajiv Gandhi, the Prime Minister." The group also threatened the Taj Mahal, the Tarapur nuclear plant, and the Bhakra Nangal Dam.

At stake in London is the power base of "Khalistan President" Jagjit Singh Chauhan, the man who, under Prime Minister Margaret Thatcher's protection, took political credit for the murder of Mrs. Gandhi.

Also at stake is the control of the Sikh temples in London. Some 30 have already been taken over by extremists of the Sikh Liberation Army, the Dal Khalsa, Babar Khalsa, and Khalistan Liberation Army. In November, Soham Singh Lidder, 47, a leader of the Indian Overseas Congress, was shot in the face after he opposed the donation of temple collections to extremists. As much as £100,000 per week is being sent to Punjab from the temples.

Control over one of the biggest temples, in Southall, is being contested. Extremists forced moderates out two years ago. Moderates are complaining that the police are reluctant to take action, ostensibly because they cannot interfere in "religious disputes." But the police also refused to interfere when a "death list" was pinned to the notice board of the Southall temple after the Gandhi murder.

London is a financial headquarters of the world dope trade, and the extremists are almost certainly setting up drug-trading centers at the temples they take over. When U.S. police raided a Sikh temple in Woodside, Queens in 1985, they found heroin and other drugs.

British authorities, from Mrs. Thatcher on down, have done more than "not interfere"—they have protected the terrorists. On Dec. 6, the British Home Office granted citizenship to Gurmej Singh Gill, who calls himself the "prime minister of Khalistan," on the grounds that he had been resident in Britain since 1973. A Home Office spokesman declared on Dec. 9, "Any allegations of illegal acts are not a matter for us, but for other agencies—the police or the courts." In Delhi, Rajiv Gandhi called this "a step backwards."

The Indian government renewed pressure on the British after the Jan. 23 murder of Tarsen Singh Toor. The death is being investigated by C13, Scotland Yard's anti-terrorist branch, but, according to the *Hindustan Times* on Jan. 29, Detective Superintendent

Guy Mills stated: "It might have been dope, smuggling, or a robbery that went wrong. We are keeping an open mind."

This provoked protests to the point that Indian High Commissioner P. C. Alexander met with British Home Secretary Douglas Hurd and junior foreign office minister Baroness Young, after which Hurd agreed that this was a "political murder." Toor, 54, had received a death threat the night before the assassination. He was general secretary of the Overseas Indian Congress, a long-standing friend of the Gandhi family, general secretary of the Southall Indian Workers' Association, and an outspoken critic of Khalistan extremists. Mr. Gandhi paid tribute to Mr. Toor.

Just 48 hours after the murder, the London *Daily Mail* reported (Jan. 28) that "an assassin hired by Sikh extremists" came to another house with a shotgun, looking for Toor's nephew, but was driven off. A week earlier, Sanghtar Singh Sadhu, 50, a leader of the moderate Akali Dal, lost one eye in a shooting in Cranford, close to Southall.

Jagjit Singh Chauhan himself has denied any involvement in the Toor murder. Whatever his role, the language of the Sikh Liberation Front's hit list is at variance with the usual statements of the Khalistan groups he leads, according to one source.

The British government's sheltering of the extremists was featured in a United News of India wire, datelined London, and published Jan. 31 in the *Hindustan Times*, the *Patriot*, and *Jan Satta*, under the headline "British Hand Alleged in Indira Slaying." The article presents the findings of *EIR's* book *Derivative Assassination—Who Killed Indira Gandhi?*

*Mary McCourt contributed this column from London.*

## 'Holy Mountain' is stirring

*Dare the Greek government challenge the sovereignty of the Byzantine-chartered Mount Athos?*

The 321-square-kilometer peninsula of Mount Athos in Greece, a unique and paradoxical theocratic state over 1,000 years old, is threatening to become a major focus of international tension.

Shortly before Christmas of 1985, the religious government of this self-administered theocratic state convoked an emergency session of its "Double Synaxis," the Orthodox monks' equivalent of a "parliament," and voted an extraordinary resolution of dire warning to the Socialist government of Greek Prime Minister Andreas Papandreu.

In that resolution, the theocratic government of this anachronistic "Sacred Community," generally known as the "Holy Mountain," warned the Greek government that it should give up its intentions to interfere in the affairs of the "Holy Mountain," or face the international consequences.

The government of the "Holy Mountain," known as the Protaton, or "The Primacy," and its little parliament, the "Double Synaxis," derive their legal standing and authority from legislative acts of the long defunct Byzantine Empire. However, its Byzantine legal standing and its sovereignty have been recognized by modern international law, and especially by the 1878 Treaty of Berlin and the 1923 Treaty of Lausanne.

According to these international

treaties, the peculiar theocratic Byzantine government of the "Holy Mountain" is recognized as sovereign on all matters pertaining to the internal administration of the Mount Athos peninsula, and the Greek state is accorded a right of suzerainty, on condition that it does not challenge the internal sovereignty of the little theocratic state.

Matters have now been brought to a crisis because the Papandreu government is about to enact a bill of law according to which all real estate and other property of the Greek Orthodox Church is to be nationalized and become property of the State.

The argument presented by the 7,000 plus monks of the "Holy Mountain" is that their peculiar community is not part of the autocephalous Greek Orthodox Church, nor part of the Patriarchate of Constantinople, but a religious authority with its own sovereignty whose legal title derives directly from Byzantine legality and is, as such, protected by international law.

Their resolution, in part, reads: "... The opinion that monastic property, and properties of the Church in general, belong to the State, is ahistorical and arbitrary.

"The characterization of our Holy Monasteries as trespassers of public land is unacceptable. Both the Church and the Holy Mountain are much more ancient than the Greek State and the

founders of the Monasteries endowed them with properties not for the comfort of monks, but as means of carrying out their mission. . . . We shall never accept this Law and we shall strive with all our strength for its abolition. This is demanded by the millennial history of the Holy Mountain whose inheritors we are."

Knowledgeable observers from Athens report that the Protaton, or government of the "Holy Mountain" has already made broad hints that they are ready to challenge the Greek government's legal claims over their peninsula in the forums of international legal bodies, and that numerous nations, especially the Soviet Union, Bulgaria, Yugoslavia, and Rumania, are interested in posing as champions of the little theocratic state—as well as challenging Greek suzerainty over the peninsula.

There are, in the "Holy Mountain," numerous monasteries belonging, by ancient legal title, to Russia, Bulgaria, Serbia, and Rumania, co-existing side-by-side with Greek monasteries.

If the Greek government moves to forcibly expropriate the properties of its own monasteries, then, it will either be forced to abandon its legal claims as "protector" of the "Holy Mountain," or, it will have to permit the Soviet, Bulgarian, etc., governments to expropriate the properties of their own monasteries.

It should be noted that of the 20 large abbeys operating on the Mount Athos peninsula, the largest is the Russian Monastery of Saint Spyridon, which, since 1975, has been receiving large numbers of Russian monks from the Soviet Union, many of them believed to be KGB operatives.

Saint Spyridon, up to the 1920s, had over 2,000 Russian monks, and has its own port facilities, small factories, and a rail line.



# International Intelligence

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## **Cuban congress may make Raul premier**

The Third Congress of the Communist Party of Cuba opened Feb. 4 in Havana amid rumors that the congress will result in the consolidation of dominance over the government by Moscow-hardliners around Defense Minister Raul Castro.

Communist Party sources "suggested" to Reuters news agency that the post of prime minister will be created, to handle "day-to-day running of the government," and that Raul Castro will fill it.

The congress, originally scheduled for December, was postponed because of wild faction-fighting inside the Party. The result, say reports, was a purge of a number of Fidel Castro's close associates.

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## **Predict massive Soviet peace propaganda**

"I see an enormous spread this year of Soviet peacenik propaganda," a London strategist told *EIR*. "There will be a hell of a lot of movement, in several areas. They'll use the MBFR [Mutual and Balanced Force Reduction] talks in Vienna to convince everybody how nice it is to have U.S. troops out of Europe. They'll move on all fronts, aiming for a summer flashpoint. By then, you can expect enormous marches, targeting all the major establishments in Western Europe, the U.S. military, the German military, the British military, all the Western military."

Soviet peace propaganda is not directed at their own population, however. A UPI wire dated Feb. 4 states that the KGB put an end to an unsanctioned peace group's meeting in Moscow. The "Group to Establish Trust Between the U.S.A. and the U.S.S.R.," was prevented from meeting to respond to Gorbachov's latest disarmament proposals by a dozen security agents. One member later said an unidentified man broke

into her apartment and threatened her and her husband with arrest if they don't stop attending the group's meetings.

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## **Soviet purge moving toward show trials**

The Soviet party newspaper *Pravda*, covering the Uzbekistan Republic Party Congress in late January, has launched the heaviest attack yet made on a senior Soviet party leader from the Brezhnev era. *Pravda* roasted Sharaf Rashidov, who died in October 1983 after heading the Uzbekistan Party for 24 years.

Uzbekistan, with a population of 18 million, is the third-largest Soviet republic.

The nature of *Pravda's* charges imply that those associated with him may face not simply purges, but show trials of the sort Josef Stalin instituted in the 1930s.

*Pravda* accused Rashidov of having shielded "serious state criminals" and allowing embezzlement, bribery, and falsification of statistics. *Pravda* accused Rashidov of spreading "nepotism," "suppressing criticism," and having created a "cult of positions to serve the first leader."

*Pravda* revealed that 300 officials have already been fired in the extensive purges which began after Rashidov's death. The post-Brezhnev purge in Uzbekistan marks the largest "anti-corruption" purge drive in any of the 14 non-Russian Republics.

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## **'Professional' terror hits streets of Lima**

An unprecedented wave of terrorism has hit Lima, Peru, and President Alan García is now "carefully considering" a response.

Inflammatory chemical bombs exploded Feb. 3 in four large warehouses located in Lima's central commercial district of Jiron de la Union, setting off an immense fire which raged for two days. On the same day,

20 coordinated terrorist attacks were carried out in the city, hitting offices of President García's political party, eight bank branches, and several government offices. Three high-tension electricity towers were blown up, blacking out Lima for several minutes, and explosives placed on the rail line from Lima to a province were dismantled shortly before exploding.

On Feb. 5, a retired Army colonel was gunned down in the streets of Lima, the third attack in less than a week by the "Tupac Amaru Revolutionary Movement." The terrorists have launched a new stage of "selective assassination," the press reports, against a "hit list" of leading politicians and police and military chiefs who fought Sendero Luminoso (Shining Path) guerrillas in the Ayacucho war zone. A Guardia Civil captain was assassinated Jan. 31, a navy captain was kidnapped, and an army intelligence colonel was killed on Feb. 2.

President García has stated that the government is "carefully" studying measures to respond to the wave of terrorism, which he called "a new violence, very professional and mysterious." The attacks are aimed at making the government appear weakened, said García, and provoking it into actions which are "exaggerated."

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## **Dead: Alva Myrdal, tireless white racist**

The world noted the passing of Sweden's Alva Myrdal Feb. 4. Myrdal, was a tireless advocate since the 1930s of "racial hygiene" policies. She was the wife of Swedish Malthusian economist Gunnar Myrdal.

Known in the 1930s for their support of the Nazi cause, the Myrdals, intimate patrons of present Social Democratic Prime Minister Olof Palme, developed a population profile for the Carnegie Institute, together with Kenneth Clark and others, which laid the basis for the 1960s race-riot projects of the Ford Foundation.

She was among the first in the 1960s to

champion the cause of retrograde "appropriate technology" for Third World nations, and played a key role in development of the avowedly Gnostic pornographic sex education which has dominated education reforms under Palme in Sweden, and more gradually infiltrated curriculums throughout the world.

Alva Myrdal, a Nobel Peace Prize winner, spent her last years in Geneva as a prominent advocate of Soviet strategic positions on disarmament.

### **García to visit Panama this month**

According to a Peruvian senator, President Alan García will visit Panama Feb. 23-26 to advance preparations for the presidential summit on Ibero-America's foreign debt. García proposed the conference, and Panamanian President Eric del Valle has agreed to host it in the summer. There has not been official confirmation.

Manuel Ulloa's *Caretas* magazine boasted on Feb. 3 that its allegations of links between Panamanian Defense Force chief Gen. Manuel Noriega and the Peruvian drug mafia had blocked García from making the Panama trip.

### **London threatens So. Africa's Botha**

The *Financial Times* of London ran a lead editorial on Feb. 5 entitled "Botha Leaves Loose Ends." It complains that the South African President's announced program for abolition of apartheid "appears to represent a further substantial step by the government towards the dismantling of apartheid," but that "an examination of the fine print raises many of the old doubts about South African double-talk and coded language."

The pledge to restore South African citizenship to blacks, says the *Times*, is covered by a "fog of imprecision."

The paper concludes with a threat of credit cut-off: "World public opinion and South Africa's international creditors, who are meeting in London later this month to consider proposals for a short-term rescheduling of South Africa's debt, are anxiously waiting for further details from Pretoria."

### **State Dept. upgrades East German relations**

The U.S. State Department has upgraded the status of U.S. relations with the Soviet occupied zone of Germany. On Jan. 31, Rozanne Ridgway, current head of the Central Europe desk at State, mentioned to European journalists in Washington, D.C. that diplomatic talks with the Soviet puppet regime had grown "quite intensive."

She even spoke of a "considerable positive progress" in U.S. relations with so-called East Germany.

Her statement came one day after Erich Honecker, chief of the communist party in the zone, in an interview in the Federal Republic's *Die Zeit*, emphasized Germany's partition and East Germany's claims to sovereign status and policy as the key to peace in Europe.

Ridgway knows Honecker personally, from the time she served as U.S. ambassador to the zone (January 1983-July 1985). John Kornblum, the U.S. mission chief in Berlin, recently leaked that "secret talks of some importance" had been taking place for some time between the State Department and the Honecker regime.

In the same press briefing, Ridgway stated that there was no fixed timetable for the current German-American talks on cooperation in the U.S. Strategic Defense Initiative. Ridgway said there should not be any expectations that an agreement with the German government would be signed "by Easter."

Ridgway, despite her well-known opposition to the SDI, heads the U.S. team in negotiations with the Germans.

## Briefly

● **HOMOSEXUALS** comprise 10% of the population in the Soviet-occupied zone of Germany, according to prominent magazines published there. The magazine *Für Dich* has demanded full political recognition for East Germany's reported 830,000 homosexuals. Intelligence circles in West Berlin say that this report does seem to explain the large number of fairy-stories put out internationally by the Soviet-puppet government there.

● **EUTHANASIA** was condemned in a resolution passed by the Action Council of the Bavarian Churches at the end of January. The statement, which is supported by the Lutheran and the Catholic churches, denounces all measures of so-called "active mercy-killing" or "killing on request" as immoral and against the dignity of man.

● **FOUR SOVIET** diplomats, all said to be members of Soviet military intelligence (GRU), were expelled from France in early February. The Soviet embassy in Paris attacked the move as "manifestly unfriendly and provocative."

● **PRINCE CHARLES'** personal valet has diagnosed for AIDS, and was admitted to a hospital, according to the Jan. 27 issue of the West German daily, *Bildzeitung*. The valet was apparently the same individual whom Lady Di wanted fired, on the grounds that he was too intimate with her husband. Last year, an attendant on the royal family, Lord Avon, died of AIDS.

● **SHIMON PERES**, Israeli premier, during his late January visit to Germany, named Syria and Libya as supporters of international terrorism, but called for sanctions only against Libya. He also called on the Soviet Union to establish diplomatic relations with Israel.

## It was really Don Regan's State of the Union

by Kathleen Klenetsky

In the first week of February, the U.S. Congress heard "the President's" State of the Union address, and also received "the President's" proposed budget for fiscal year 1987, and "the President's" *Economic Report to the Congress*. Actually, these three documents represent the product of the White House Palace Guard, issued in the name of the President.

The reports now in the hands of Congress, and the State of the Union address, bear the indelible stamp of White House Chief of Staff Donald Regan, and the New York banking constituency which he represents inside the White House. They give Donald Regan's and his cronies' views of the current state of the union and economy.

What they spell is disaster.

They prescribe exactly the kind of "slash and burn" austerity which the International Monetary Fund has been imposing on the United States for the past few years, and which was formally imposed on the United States, with the blessing of Treasury Secretary James Baker, at the IMF's Interim Committee meeting last April. And they provide one of the purest examples of the "free market" economics justly condemned as immoral by the recent Extraordinary Synod of Bishops convened by Pope John Paul II.

### Captive of the Palace Guard

The President now appears to be almost entirely the captive of the crew centered around Regan and Baker, who are determined to guarantee payment of the Treasury's debt service in full, destroying America to do it. The President has been put into a patently schizophrenic position, as reflected in his State of the Union message, largely crafted by Regan's staff. While on the one hand, the President staunchly reaffirmed his commitment to exploring space, and to developing an anti-missile shield to protect the United States and its allies, on the other, Regan's staff not only had him firmly

endorse the "budget-balancing" insanity of the Gramm-Rudman-Hollings amendment, but go a step further to call for a balanced-budget amendment to the Constitution and line-item veto powers for the President—both patently unconstitutional, serving to elevate servicing of federal debt to the first constitutional principle of the nation.

Of course, "balancing the budget," along the lines that Regan and friends, and the irresponsible fools in Congress, have suggested, will not only make a manned space station and a Strategic Defense Initiative impossible, but will produce a depression paling any in this century.

Reagan's speech was "as a whole, a mishmash," commented economist Lyndon H. LaRouche after reviewing the address. LaRouche, a candidate for the 1988 Democratic presidential nomination, said that, while there were some elements in the speech which were realistic, particularly the President's statements on the American space program and the necessity for a strong defense, the views Reagan expressed on economics, tax policy, and foreign trade had "no correspondence with reality."

LaRouche stressed: "If there had been a recovery," as Reagan insists, "we would not see the kind of budget deficit we have now"—a budget deficit that is far more likely to reach \$300 billion this year than the \$220 billion the administration is projecting.

### Some 'recovery'

The contradictions between the claim that there is an economic recovery and the reality of deepening depression were everywhere evident in the State of the Union address. For example, the President announced that he has called upon his Domestic Council to set up a task force to recommend overhauling the country's welfare system.

According to reliable reports, the thrust of the task force

is already determined: Its two key goals will be to justify the gouging of \$60 billion from the welfare budget, and to create a nationwide slave-labor "workfare" system which will not only keep welfare recipients in penury, but will also drive down wage rates for employed workers. Don Regan's staff even had the President call this a "pro-family" position. In truth, it means genocide.

A second example of the Regan and his banking constituency's program for genocide is the State of the Union's call for adding a catastrophic medical insurance component to Medicaid and Medicare. Although this is being sold as a means by which Americans could avoid financial ruin because of a serious illness, it was actually cooked up by the President's pro-euthanasia Health and Human Services Secretary, Dr. Otis Bowen, in order to justify a doubling of Medicare premiums—which many of the elderly will simply be unable to afford.

On top of this, Regan and friends seek a \$70 billion cut in Medicare and Medicaid over the next five years, also announced in the President's State of the Union address.

How do such proposals, which will kill people just as surely as the plague, square with the existence of a "recovery," or with the President's reaffirmation, in his State of the Union speech, of the "right to life"?

How, under conditions of "recovery," does the administration also believe that the most it can ask for from Congress for defense this year is a 3% real increase—a totally inadequate amount, as Defense Secretary Caspar Weinberger himself acknowledges?

If there were indeed a recovery, the federal budget unveiled Feb. 4 would provide increased spending for education, to ensure that the country has an ample supply of trained, skilled workers, scientists, engineers, teachers, doctors, etc. It would include a rising rate of expenditures for medical and other services to the elderly—the fastest growing segment of the population. It would provide ample funds for replacing the Challenger shuttle, and for acceleration in America's conquest of space. It would provide enough money for the United States to match the Soviet military buildup, and to build the SDI as quickly as possible. And it would do more.

Instead, it proposes to do just the opposite, promoting policies that are far more in tune with an economy in uncontrolled collapse.

The \$994 billion budget calls for cutbacks in a broad range of domestic programs, and the elimination of many others, including the Small Business Administration, Amtrak subsidies, the Export-Import Bank, Urban Action Grants, and the Appalachian Regional Commission, to name a few. In addition, it calls for "privatizing" a host of federal programs, including the Electrical Power Marketing Administration and the Naval Petroleum Reserve, on the grounds that "market forces" can do a better job of protecting national security.

Ironically, for all the bowing and scraping before the

"free market" altar, most of the "privatization" proposals were lifted straight from a Heritage Foundation document—written by British Fabian Society member Stuart Butler.

Other programs are to be slashed beyond recognition: Out of the total \$38.2 billion in cuts the budget calls for, in order to meet the Gramm-Rudman deficit-reduction targets, the farm sector, already on the verge of bankruptcy, will be hit by a whopping 24% in reductions; federal aid to transportation will be slashed by 23%, the Department of Education will lose 10%; and similar reductions will be gouged out of federal housing assistance, highway funding, and community development.

"The need to cut unnecessary federal spending and improve management of necessary programs must be made a compelling guide to our policy choices," the President asserted in a message accompanying the budget, claiming, in the face of all the evidence, "Despite the overall fiscal restraint, this budget preserves vital national security, health, safety, and other services that benefit the aged, the needy, and the general public."

## Political pickle

It is generally acknowledged that this budget will never be bought by the Congress. Democrats and Republicans alike are in open revolt—not because they oppose austerity, they just want to see it done differently, and in a way that's less likely to hurt their own political hide.

In the main, members of both parties are announcing at every opportunity that the "the President" must accept a "compromise," one based on deep cuts in military spending, new taxes, and restoration of some domestic spending cuts. But not one has offered a responsible alternative that would provide for real economic expansion.

Thus far, the President has insisted that he will accept no compromise, that the budget is fair and must be enacted. But there is little reason to think that he won't back down on the defense question. He did last year.

Although Secretary Weinberger is fighting valiantly to protect defense, his own vulnerability on the question of economics puts him in the situation of having to argue for cutting back domestic spending to pay for defense, when what really needs to be slashed is payment on the federal debt.

In his budget message to Congress this week, Don Regan stated, through the mouth of the President: "I realize it will be difficult for elected officials to make the hard choices envisioned in this budget, but we must find the political will to face up to our responsibilities and resist the pleadings of special interests."

Is the IMF the only "special interest" which America's elected leaders are permitted to listen to? Apparently, yes, and as long as that remains so, the Donald Regan and his New York banking constituency's "recovery" will continue to send us all to hell.

# Gramm-Rudman: culmination of 100 years of institutional subversion

by Susan Kokinda

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### **Constitutional Reform and Effective Government**

James L. Sundquist  
Brookings Institution, 1986  
262 pp., paperbound.

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"It is desirable to point out the great possibilities that are embraced in a system under which action upon the floor of the legislative chamber may be determined by an outside organization which has no legal status and which is subject to no control other than that which it is willing to impose on itself."—*Principles of Legislative Organization*, William F. Willoughby, 1934, Brookings Institution.

To anyone who believes that the passage of the Gramm-Rudman legislation came about as the result of some fiscal imperative of the mid-1980s, the preceding quote should suggest that its motivations are somewhat older. The author of the quote, Willoughby, and his sponsor, the Brookings Institution, are outlets for a tradition which includes Woodrow Wilson, John Stuart Mill, and Jeremy Bentham, and whose purpose is the destruction of the representative, republican forms of American government. Since no later than 1885, when Prof. Woodrow Wilson penned *Congressional Government*,—one of the first articulated demands to revise the U.S. constitution along British parliamentary lines—the international financial oligarchy has been engaged in an open and explicit campaign to eliminate the spending powers of the Congress and the presidency, and with that elimination, to nullify the Constitution and its mandate to provide for the general welfare and the national defense. In most recent years, the Trilateral Commission and the Council on Foreign Relations have written studies decrying the inefficiencies of our democratic republic.

Now, some 52 years after Willoughby's *Principles* was

published, the Brookings Institution is back in the act. In January 1986, it brought forth *Constitutional Reform and Effective Government* by James L. Sundquist. The book should be seen as the operating manual of the Eastern Liberal Establishment's newest organization of constitution-wreckers—the Committee on the Constitutional System (CCS). Sundquist himself, is a member of it, as are former Treasury Secretary Douglas Dillon and former Carter White House lawyer Lloyd Cutler. Cutler is infamous for his 1981 *Foreign Affairs* article calling for junking the U.S. Constitution. The CCS has succeeded in placing Lloyd Cutler in the position of legal counsel for the U.S. Comptroller General, the man charged with implementing Gramm-Rudman. The immediate tactical objective of the CCS is to direct the Gramm-Rudman madness into a full-blown constitutional crisis. As the director of CCS recently boasted, "Gramm-Rudman will cause such a political and constitutional crisis, it will force people to see the need for constitutional reform."

Sundquist's book is to give direction to that effort. The theme of *Constitutional Reform and Effective Government* is that the American constitutional system, especially the doctrine of separation of powers, produces deadlock and disaster. In his concluding chapter, Sundquist warns of the danger "that the division of power among the President, the Senate and the House . . . will render it impossible to achieve what Budget Director David Stockman [or the International Monetary Fund—SJK] called 'fiscal sanity.'" Douglas Dillon casts it similarly in an earlier chapter where he is quoted saying, "Our governmental problems do not lie with the quality or character of our elected representatives [sic]. Rather they lie with a system which promotes divisiveness and makes it difficult, if not impossible, to develop truly national policies." The careful reader should substitute the words "supranational policies" for "national policies" in that sentence, and he will have an adequate summary of Sundquist's point. In short, the American system is not very good at delivering International Monetary Fund-dictated austerity to its citizens.

Our founding fathers were wise enough to construct a system which would resist, however imperfectly, the imposition of alien policies, injurious to the republic. The American system was developed to foster agro-industrial growth and technological progress. Even today, with the many fools, traitors, and cowards holding elected office, the institutions of our republic still balk at becoming the agencies for supranationally delivered demands for austerity. So, today, the President resists Congress's demands to emasculate the defense budget. And the institution of Congress, if not individual congressmen, has raggedly resisted the level of domestic cuts which will murder its constituents. Gramm-Rudman is the first step to killing that constitutional resistance. Willoughby would be quite approving of Gramm-Rudman as the application of his "system under which action upon the floor of the legislative chamber may be determined by an outside organization"—an IMF-programmed computer in the Office of Management and Budget.

But Gramm-Rudman is to be only the first stage, and a chaotic one, at that. Out of the chaos, the CCS hopes for more orderly "reform." Sundquist urges wholesale constitutional changes which will completely eliminate the defense mechanisms built into our current system. He proposes a series of changes which would transform the United States into a parliamentary system, ruled by party government and party-based policies. His reforms include:

- a "team ticket," in which voters would not vote for individuals but for a national party slate;
- special elections to reconstitute a failed government, in which a government could be brought down by an episodic whim of a media-manipulated electorate;
- the ability for congressmen to hold Cabinet positions, thus reducing tension between the two branches;
- changes in various party rules and congressional procedures to facilitate party government and cooperation between the branches.

These changes would have several, related, effects. They would sever the immediate, concrete relationship between the voter and his representatives, and would establish a voter-to-party relationship instead. This would thereby create elected officials more dependent on party-dictate from above, than on constituency pressure from below. Once the International Monetary Fund and the Trilateral Commission got control of party institutions, as they now have in both the Democratic and Republican parties, they could efficiently control national policy on behalf of supranational policy.

As timely as Sundquist's book is, however, it breaks no new ground. This territory was covered quite nicely by Woodrow Wilson in 1885, in his ode to the British parliamentary government, entitled *Congressional Government: A Study in American Politics*. Wilson argued that "the federal government lacks strength because its powers are divided . . . lacks efficiency because its responsibility is indistinct and its action without competent direction."

Unlike Sundquist, however, who veils his complaints

behind vague notions of fiscal sanity and efficiency, Wilson is direct about what he is trying to destroy—the American system of economics. He is particularly exercised about the creation of a congressional Committee on Rivers and Harbors and other congressional committees which insist on satisfying their constituents' demands for economic progress. After detailing the process of nation-building, which was being funded by the Congress, Wilson finally rails, "They [the Congress] have thus culminated with the culmination of the protective tariff; and the so-called 'American System' of protective tariffs and internal improvements has thus at last attained to its perfect work."

Anticipating Willoughby, Wilson then suggests that these untoward proclivities toward economic growth can be checked by the creation of a commission, outside of the legislature to prepare its policies. Citing an idea put forth by British imperial agent, hedonist, and arch-enemy of the American republic, John Stuart Mill, Wilson declares that the Congress should confine itself "to what is for a numerous assembly manifestly the much more useful and proper function of debating and revising plans prepared beforehand for its consideration by a commission of skilled men, old in political practice and in legislative habit, whose official life is apart from its own."

Beside his extra-constitutional "council of old men," which bears some resemblance to the Venetian Council of Ten, Wilson devotes a large part of his book to the efficiencies of a parliamentary system of party government.

Barely 30 years later, Wilson was able to, briefly, put some of his theories into effect. During his first year as President, Wilson, and his Wall Street allies, were able to convince the Democrats in the Congress to accept a parliamentary-style form of party discipline, known as King Caucus. In other words, once the Democratic Party voted to support or oppose an issue, *all* Democrats were bound to vote the party line, no matter what the feelings of their constituents. It was because of this party discipline, and only because of it, that the Federal Reserve Act of 1913, was rammed through the Congress! Numbers of southern and western Democratic senators would have voted against the bill and defeated it, had it not been for party discipline. Reacting to the creation of the Federal Reserve system, one senator stated that party discipline was "the most unfortunate feature of legislation under this administration." Were it not for that, he continued "Neither would Congress have bowed the knee and surrendered to monied interests of the country the ownership and control of the reserve banks with enormous power that goes with them."

Congress has again "bowed the knee and surrendered to monied interests of the country" in the passage of the Gramm-Rudman amendment, which places debt payment to those interests above and before the nation's defense and well-being. But Sundquist, and before him, Willoughby, Wilson, and John Stuart Mill, have given fair warning—the total destruction of the American constitution and the American system is the ultimate goal.



# Harvard doctors fear AIDS catastrophe

by Peter Catalano

At a special panel on AIDS for staff and students at Harvard Medical School on Jan. 31, three noted medical figures researching the disease reported that some medical progress is being made, but refused to rule out the possibility that AIDS could become an uncontrollable epidemic. Speaking before an overflow audience were Dr. Myron Essex, chairman of the Department of Cancer at the medical school; Dr. Martin Hirsch of Massachusetts General Hospital; and Herbert Sherman, an epidemiologist at the School of Public Health.

## New models

Epidemiologist Herbert Sherman opened his presentation by mentioning signs displayed at a National Democratic Policy Committee rally in favor of quarantine measures to contain the disease. As those signs said, in a few years, AIDS may have claimed more victims than nuclear war. If broader assumptions are made regarding transmission of the AIDS virus, HTLV-III, and carrier mortality—at odds with the Centers for Disease Control—the long-term outlook is grim, said Sherman.

Sherman's own models of the epidemic have predicted a saturation among high-risk groups and a slower pace of new infection. The doubling rate of AIDS cases has slowed from a few months to a little over a year. But he concurred with his skeptical colleagues that there is a significant level of under-reporting of new cases. Until recently, the Harvard professor's model of AIDS proliferation in Massachusetts had been highly accurate. Now, reported cases are running behind the projections of the model. Sherman attributes this to under-reporting.

In closing, he revealed that colleagues at the School of Public Health are now developing a model based on assumptions about virus transmissibility broader than the CDC's. The report, to be released later in February, predicts "catastrophic" consequences.

Speaking next, Dr. Essex pointed out that in Belle Glade, Florida, the breakdown in sanitation may be a co-factor in the high incidence of AIDS among non-risk groups reported. And even though no conclusive evidence has been found in Belle Glade indicating the transmission route, the logical inference is that the disease is spread in ways other than exchange of blood products. In a private interview, Essex said that AIDS patients who frequently contract tuberculosis posed a tangible risk of spreading the AIDS virus without having intimate contact. Fluid byproducts of TB may effec-

tively transmit the HTLV-III virus, especially in crowded, squalid quarters.

All three speakers reiterated that basic questions about the deadly virus remain unanswered. Just when an AIDS antibody carrier is infectious is not known, nor the precise co-factors precipitating "frank" or full-blown AIDS. Which patients will graduate to AIDS, and which will progress to terminal stages, is also unknown.

## Some progress

The panel also reported some medical progress:

- Although AIDS is the most mutagenic virus produced outside the laboratory, Dr. Essex is now confident that the stable, conserved portion of the virus's protein envelope which attaches itself to the body's T-cell helpers, is quite large. This implies that new drugs will not have to be synthesized for each new mutant strain of the virus.

- Hirsh elaborated on a recent discovery by three different teams of Boston researchers—himself among them—that certain patients exposed to HTLV-III antigens developed "neutralizing" antibodies. If scientists can discover which part of the HTLV-III virus stimulates the immune system to produce these neutralizing agents, and if this segment is part of a "conserved," immutable subunit of the virus, a vaccine could be produced. Using bio-engineering techniques, only the desired "subunit" will be replicated.

- Dr. Essex proposed another vaccine strategy. He and co-workers have discovered that in West Africa, there are many human carriers of monkey AIDS—Simian or STLV-III—living without apparent deleterious effects. There is some evidence that the HTLV-III and STLV-III are cousins, spawned from a common progenitor. The discovery is promising; certain vaccines such as that of polio have been produced using a strain of the virus that is not virulent. For AIDS, the monkey virus could be that strain. From there, the search will be on to discover the piece of the virus that protects against AIDS and whether that alone may confer immunity.

- Among anti-viral agents, Dr. Hirsch expressed optimism that AZT (azidothymidine), now under joint investigation at Harvard and the Burrough's Wellcome pharmaceutical firm, may be effective against the HTLV-III virus. AZT is a reverse transcriptase inhibitor, meaning that it prevents the sequence of biochemical reactions needed for the AIDS virus to insinuate itself into the genetic makeup of the body's immune system cells, the helper T-cells. Moreover, AZT can be administered orally and passes the blood-brain barrier 25% of the time. The AIDS virus readily crosses the barrier and finds refuge from the immune system in brain tissue. Over 80% of autopsied AIDS victims show neurological damage, according to Hirsch.

Despite these advances, the briefing closed on an ominous note. Speakers emphasized that progress in AIDS research can only be accomplished by the basic research now threatened by the Gramm-Rudman.

# Elephants and Donkeys by Stephen Pepper

## Congress routed by computer

The Democrat and Republican members of the House were in retreat this past weekend. Peter Dooley Finne, that turn of the century sage, would probably have remarked, "Retreat hell! It was a rout!" The subject was supposed to be "getting our act together for the coming budget battle," but it was actually an abject surrender to the Gramm-Rudman rule of the computer.

Even though many of the members were roasted by their constituents over the recess, and they know the budget process as defined by the new law is unconstitutional, even in the narrowest interpretation, very few, if any, really have the courage to fight it. In fact, almost all discussion focused on learning to live with it.

For example, freshman congressman Beau Bolter, (R-Tex.) reported, "I am hearing in the district that people wanted us to make the decisions as a responsible congress, to distinguish between good programs and bad ones. The intent was never to surrender immediately to the meat-cleaver—the automatic sequestering process. The Democrats want to have this automatic meat-cleaver go into effect, and then blame the Republicans. I am introducing a resolution on Monday for the Congress to comply with the limits set

under Gramm-Rudman, to direct budgetary savings, without sequestration."

Rep. Tom Taukey (R-Iowa) added that the automatic enforcement already in effect was widely viewed as the failure of Congress.

On the other side was that "gopher of free enterprise," Richard Arney (D-Tex.), who claimed that his budget commandoes, known as Arney's army, will lead the way in the fight to take control by stripping the budget before Gramm-Rudman. Arney is an enthusiast of "privatization," who until recently slept two days a week in the House gym to save money. The Gym's executive recently evicted him, on the grounds that it was for the private not the household use of the members.

The consequence of the insanity and panic that is now spreading through congressional ranks was reflected in the remarks of Bob Walker. He said that Republican strategy must be to make every vote on every bill a vote on balancing the budget, to propose amendments on each and every bill, which will make it into that, and to force "an entire redefinition of the national agenda." He suggested that when the Democrats propose this week that the nation buy a new shuttle, the GOP should propose that private industry should pay for it instead. "We need to make NASA reform. They'll resist it, but we have to force them to change the way they operate."

This idea that NASA can become essentially a management consultant to private industry indicates the depth to which the Republicans have fallen. Presumably, if private enterprise decided that going to Mars was not cost effective, but a quick shuttle bus to the Moon would run in the black, that would determine our priorities. It is simply unacceptable to surrender national priorities to a private agenda.

The Republican strategy was summed up by Rep. Newt Gingrich (R-Ga.) and pollster Robert Teeter. The former declared that the way to force cuts was to get the President to agree to an omnibus appropriations bill (instead of several covering different departments, as was the case this past year). Otherwise the Republicans should agree on a budget immediately that will in effect accomplish Gramm-Rudman.

The latter advised Republicans not to talk so much about painful cuts. "If the economy holds, and its performance holds, we can avoid a real bad year in the elections." If prayers could work, the GOP would be in great shape, but reality is against them.

And what of the Democrats? What is the self-styled opposition up to? Well, a report filed by the *Washington Post* on Feb. 4 gives the best indication of the Democrats' state of readiness.

Headlined, "Democrats Resort to Good Life for Talks," the report continued, "The weekend was more social than political. . . . On Saturday night when the Democrats provided their own entertainment, they . . . had Gramm-Rudman on their minds. Rep. Dan Glickman sang an off-key melody of 'Fools on the Hill,' recounting passage of the bill. Rep. Martin Leath (Texas) dressed all in black . . . launched into a rendition of 'Let's Go Out in a Blaze of Glory, All Good Things Must End.' But the highlight was provided by three female lawmakers—Marcy Kaptur and Mary Rose Oakar of Ohio and Barbara Boxer of California. To the tune of 'The Way We Were,' they sang, 'Memories of the days before Phil Gramm, lovely budget spending memories, of the way they were.'"

I think one can agree that in comparison to the Democrats, the Republicans appeared to be veritable Solons.

# Henry Clay's War Hawks: The legacy of George Wythe

by Anton Chaitkin

Henry Clay, the 32-year-old new member from Kentucky, explained to the U.S. Senate why he had to tell that august body, and the whole nation, how to perform its duty.

"When the regular troops of this house, disciplined as they are in the great affairs of this nation, are inactive at their posts, it becomes the duty of its raw militia, however lately enlisted, to step forth in defence of the honor and independence of the country."

It was Feb. 22, 1810. For several years, thousands of Americans had been kidnapped by the armed enemy, on the high seas and just outside American ports. Aaron Burr's southwestern secession plot had been broken up in 1807 by his treason arrest; enemy-linked Bostonians were still plotting the secession of the North. Northwestern Indians were being armed by the Canadian-based enemy for war against the United States.

Having nearly dissolved the armed forces due to insane budget cutting, President Thomas Jefferson was cowed by declarations from both Britain and France that U.S. ships trading with the other would be seized and plundered. He reacted by forbidding American ships to leave U.S. ports.

This embargo was a fiasco, and Congress was now groping for alternative measures. Henry Clay told the senators, "I am for war with Britain. . . . Or, are we to be governed by the low, grovelling parsimony of the counting room . . . before we assert our inestimable rights? . . . The conquest of Canada is in your power. . . . Is it nothing to us to extinguish the torch that lights up savage warfare? . . . A certain portion of military ardor . . . is essential to the liberties of the country . . . I am therefore for resisting oppression, by whomsoever attempted against us. . . ."

For his courageous stand, Clay and his allies were called "War Hawks" by the pathetic would-be British aristocrat, John Randolph of Roanoke. Over the next two years, the young politician led the weakened, stumbling United States to defend itself. By June 1, 1812, President James Madison was forced by Clay's movement to call for a declaration of war, America's second war with Great Britain.

On what authority did Henry Clay presume to instruct the nation?

Clay had for a model the life and work of his teacher and guide, who had made Clay's career his special project. Born in 1777 in Virginia, Clay as a young man was fortunate to be employed by the Chancellor of Virginia, George Wythe, as clerk and copyist. Wythe taught him law, and Clay chose it for his profession. Wythe, who had led the "War Hawks" in the *first* war with Great Britain, also gave young Henry the cultural and philosophical outlook that motivates the builder, and the preserver of a nation.

George Wythe (1726-1806) learned Greek and Latin from his mother. With scant formal education, he eagerly read Erasmus and Euripides, and he mastered such science, philosophy, mathematics, history, law and literature as were available to mid-18th-century American society.

In the 1760s, Wythe's intellectual power was central to the developing republican movement in colonial Virginia. A little leading "junto" was composed of Royal Governor Francis Fauquier; his colonial advisor George Wythe; natural science professor William Small; and young Thomas Jefferson, Wythe's law student, who described his teacher as "My beloved mentor and foster father." The four performed as an amateur quartet in chamber music; at regular dinner meetings they discussed science, philosophy, mathematics, and the curriculum of William and Mary College.

Wythe was vice president of Virginia's Society for the Advancement of Useful Knowledge. Benjamin Franklin, a member of Wythe's Society, allowed the group's communications with leading European and American scientists to be mailed without charge, as with his earlier American Philosophical Society.

George Wythe was a member of the Virginia House of Burgesses (legislature) from 1758 to 1768, and the clerk of the House from 1769 to 1775. When Britain announced the Stamp Tax for the colonies in 1764, George Wythe drafted the Virginia resolutions of remonstrance. With nerves of steel, he guided the republicans carefully toward victory,

keeping in check merely provocative activity—such as Patrick Henry's frequent outbursts.

In 1775, Wythe recommended that America develop a regular army, rather than depend on unreliable militias.

He was elected in 1775 to the Continental Congress. John Adams of Massachusetts described Wythe's Socratic role in promoting the patriot drive for independence:

"In January, 1776 . . . Mr. Wythe of Virginia, passed an evening with me, at my chambers. In the course of conversation upon the necessity of independence, Mr. Wythe, observing that the greatest obstacle, in the way of a declaration of it, was the difficulty of agreeing upon a government for our future regulation, I replied that each colony should form a government for itself as a free and independent State. 'Well,' said Mr. Wythe, 'what plan would you institute or advise for any one of the States?' My answer was, 'it is a thing I have not thought much of but I will give you the first ideas that occur to me,' and I [gave him] my first thoughts. Mr. Wythe appeared to think more of them than I did, and requested me to put down in writing what I had then said."

Adams' resultant pamphlet, "Thoughts on Government, in a Letter from a Gentleman [Adams] to his Friend [Wythe]" was the precursor to Adams' later works outlining the theory of American government.

George Wythe was one of the first and one of the most important advocates within Congress for a declaration of independence. Wythe wrote the instructions for Benjamin Franklin and the other envoys who were to ask Canada to join in resistance to the Crown. He fought for the right of the colonies to trade and ally with foreign countries. His Appeal for the defense of American rights was never published, but Jefferson studied it in the crucial summer of 1776.

When Richard Henry Lee called for independence, Adams, Wythe, and Lee led the debate in its favor. Wythe's student and "stepson" Thomas Jefferson was chosen to write the Declaration. Wythe signed the Declaration—above the names of other Virginians who had signed just before him.

George Wythe wrote the official instructions for Benjamin Franklin that were to guide his negotiations for an alliance with the French and other Europeans. George Wythe instructed intelligence-officer Samuel Kirkland in his mission to win over the Iroquois Indians. Wythe worked on counter-espionage, on plans for a military academy—and on at least 20 wartime committees of the Continental Congress.

Back in Virginia, with the war's outcome uncertain, George Wythe designed the seal and flag for the state of Virginia: Virtue, sword in hand, standing with her foot on a dead king whose crown has fallen off, above the motto "Sic Semper Tyrannus."

George Wythe was assigned to revise all the laws that had been made for Virginia from 1688 to 1776; he and Jefferson together brought about the disestablishment of the Church of England within Virginia.

In 1778, he was appointed judge of the state's high court of chancery, becoming Chancellor Wythe for life. The fol-

lowing year the first law professorship in America was created for him at the College of William and Mary.

Wythe contrasted for his students the British and American systems of law. He devised a moot court, to inject excitement and realism into otherwise deadly studies. He studied Plato and taught his law students the meaning of Aeschylus, and they helped him with his electrical experiments. He learned and taught many languages; he hired a rabbi to teach him Hebrew, so that he could be sure of an accurate reading of the Old Testament. When a mob came to his house to demand he represent Virginia at the Constitutional Convention in Philadelphia, they found him teaching Greek. At Philadelphia, he wrote the rules for the Convention, then departed.

Wythe's famous honesty in his private law practice must still be embarrassing in some circles: He always turned down cases or returned fees if he discovered his client's suit was unjust.

Henry Clay, Chancellor Wythe's amenuensis, law clerk and personal assistant for several years in the mid-1790s, who, like Jefferson, claimed him as a kind of foster father, was one of many great men whose courses were shaped by Wythe's passion for justice. Wythe's assumption of moral authority based on Reason, was of incalculable benefit as a precedent and example for the survival of the republic.

Three persons convicted of treason during the Revolution, under a clause in the Virginia constitution, appealed the verdict on the grounds of a resolution in their favor by the lower house of the Virginia legislature. Chancellor Wythe's 1782 decision said that even if the whole legislature were to concur, and thus "should attempt to overleap the bounds, prescribed to them by the people, I in administering the public justice of the country, will meet the united powers at my seat in this tribunal; and pointing to the Constitution, will say to them, 'here is the limit of your authority, and hither shall you go but no further.'"

This was the most complete statement of the principle of judicial review up to that time. *George Wythe's student* John Marshall would later make his teacher's example the basic legal concept of the United States judiciary, during his long tenure as Chief Justice of the Supreme Court.

Henry Clay went out to Kentucky in the late 1790s, joining other former students of George Wythe who made up the core of that state's republican leadership. As attorney Clay entered politics, he was still very much in the charmed circle of Wythe's fatherly concerns for the future of his protégés.

The old Virginia Chancellor freed his slaves, made one of them his heir and was teaching him classical languages when Wythe, aged 80, and the young black man were both murdered by a jealous relative.

Wythe had lived his extraordinary life, and had died, in the cause of freedom. Four years later the second generation War Hawk asked the U.S. Senate not to abandon "the most precious rights which the revolution secured."

**To Be Continued**

## St Germain attacks handouts to banks

Representative Fernand St Germain (D-R.I.), chairman of the House Banking Committee, attacked the banks for demanding new concessions, because the House had recently passed H.R. 2443 giving bank customers timely access to their deposits. "No sooner had the House acted, than rumors began circulating around the lobbyists' watering holes that the banks—who have lived high off the delayed funds game—planned to exact a new price from the consumer if H.R. 2443 was to become law," St Germain said.

"Sure, we'll let our customers have their money if the Senate lets us dabble in retail businesses, the securities market, insurance, and whatever high-risk investment that happens to come along. . . . We'll let you be protected for a price," St Germain characterized the bankers' line. "It will be interesting to see whether the Senate will protect consumers' basic rights without having to pay a further price," he said.

## Congress back to the bottle after court blocks G-R

Congress has tried everything to solve the U.S. budget deficit short of responsibility. It has blamed the President, the Defense Department, and the American people. Then, in a final act of *mea culpa*, it passed the Gramm-Rudman amendment to enforce automatic cuts, crying "save me from myself." Now the U.S. Court of Appeals in Washington D.C. has passed the buck back to congress. A three-judge federal panel handed down a decision on Feb. 7 declaring the automatic se-

questration under Gramm-Rudman unconstitutional. An appeal to the Supreme Court will be made by Gramm-Rudman proponents.

By prior agreement, congressmen led by Rep. Mike Synar (D-Okla.) who filed the suit challenging Gramm-Rudman, had given the okay to keep the automatic spending cuts of \$11.7 billion in the first round on schedule, pending a Supreme Court decision.

The three-judge federal panel did not strike down the overall deficit reduction limits mandated by the Gramm-Rudman law. If the automatic sequestration is also held unconstitutional by the Supreme Court, the cuts will be put into a congressional resolution for a vote in both the House and Senate. Congress, as now appears likely, will have to vote on these cuts in an election year.

## Shuttle program, manned flight pushed

Two bills were introduced into the House on Feb. 3 to increase NASA funding for FY86 by \$400 million to begin immediate construction of a new shuttle orbiter to replace Challenger, destroyed in the tragic Jan. 28 incident. Introduced by Rep. Robert Torricelli (D-N.J.), who serves on the space sciences subcommittee of the House Science and Technology Committee, the bills, H.R. 4103 and H.R. 4104, allow the space agency to decide whether to start building the new orbiter from scratch, or to use the spare components NASA has accumulated during the Shuttle program.

NASA estimates that another orbiter could be built in about three years, using spare parts in stock, at a cost of about \$1.8 billion. NASA has been trying for several years to get administration backing for a fifth orbiter. But

if the fourth orbiter is not replaced, and quickly, NASA will fall woefully behind in the Shuttle program schedule.

The overall proposed FY87 NASA budget submitted to Congress was \$7 billion, up \$287 million over FY86, and included a \$410 million increase for the permanent manned orbiting space station, scheduled to start operations in the mid-1990s. In the budget proposal, Reagan wrote, "The space station will facilitate space-based research, help develop advanced technologies potentially useful to the economy, and encourage greater commercial use of space."

Guarded support for new Shuttle construction came from Rep. Edward Boland (D-Mass.), chairman of the appropriations subcommittee with responsibility over NASA. "I would favor a fourth orbiter. I don't think NASA can meet its requirements for spaceflights without it," Boland said. However, he nodded to "fiscal restraints," saying, "But I'm not sure we can."

## What's Going on Dept: Reduce paper-shuffling?

Representative Jim Courter (R-N.J.) introduced two additional bills on Jan. 29 to dismantle what he called the "military Congressional complex," or bureaucracy that has massively expanded the paperwork demands upon the Pentagon and the Congress. One bill would streamline the Congress by merging the Appropriations Committee functions into the House Armed Services Committee and the Budget Committee, which Courter claimed would cut down on the number of committees having Pentagon oversight and on the number of times the

Congress would have to take up the same issue for a vote. The second bill would eliminate the Defense Logistics Agency and the Defense Contract Audit Agency and move their functions to each of the military services.

Courter claimed that this would "achieve the dismantlement of two centralized bureaucracies and the elimination of a large number of high-salary civil-service billets."

## **D**efense reorganization is proceeding

The Senate Armed Services Committee began marking up legislation to restructure the Defense Department this week, conducting its markup behind closed doors. The House has already passed a reorganization bill in this Congress; this is the first time that the Senate is expected to act.

## **T**he deal that Weinberger did refuse

"Quite frankly, Senator, there is no one [in the Congress] we can make a deal with that can deliver," Secretary of Defense Caspar Weinberger told Sen. Slade Gorton (R-Wash.) at Senate Budget Committee hearings Feb. 6. Gorton was among several senators asking Weinberger to get the President to make a "deal" on a package of tax increases and defense cuts in an attempt to avoid the Gramm-Rudman automatic sequestration next Oct. 1.

Weinberger noted that every one of the "deals" that the President made with Congress in the last three years, including the commitment in the congressional budget resolution of last August to a real 3% increase in defense spending for FY87, "have not been kept."

As Weinberger and Joint Chiefs of Staff (JCS) chairman Adm. William Crowe appeared before the Senate Armed Services and Budget Committees the week of Feb. 3, fiscal and budget reality, not the military reality of the threat the United States faces was the predominant theme.

As Weinberger and Crowe elaborated in their testimony, the Soviet buildup is "unprecedented in world history." Weinberger acknowledged that the Soviets' lead over the United States in military capability "could very quickly" widen. For the first time, the JCS military posture statement does not assert that the United States has "rough strategic parity" with the Soviet Union.

Yet as Rep. Robert Dornan (R-Calif.) pointed out in the *Congressional Record* on Feb. 5, very few of the members of Congress bother to attend DIA and CIA classified briefings on the Soviet capabilities. "There are only 60 out of 435 Members of this House . . . who have benefited themselves of [these] top secret briefings on what the Soviets are doing with their SDI Program," Dornan said.

## **M**oscow approves a Ted Kennedy presidency

Does Ted Kennedy believe that Moscow chooses the American president? If so, he is running harder than ever. After scandals seemingly forced him to bow out of the 1988 presidential race, Sen. Edward Kennedy (D-Mass.) is conducting a torrid pace of international travel. On Feb. 5 Kennedy was received in Moscow by Soviet Foreign Minister Eduard Shevardnadze in what is being described by American press accounts as diplomacy preparatory to the upcoming second Reagan-

Gorbachov summit.

Kennedy went on Soviet television Feb. 7 to assure the Russian people that he believes their leader Gorbachov sincerely wants to negotiate real reductions of nuclear weapons with the United States. "I believe . . . Gorbachov is ready to negotiate a real reduction in nuclear weapons. As he has said, 'There can be no victors in a nuclear war.' I know that President Reagan is ready to enter into such an agreement." On Feb. 6, Gorbachov met with Kennedy, and, according to TASS, told the senator that the next summit "should yield practical results, produce serious shifts in the directions that are of the greatest importance for the cause of peace, otherwise it would have no sense." The two also discussed the SDI, with Gorbachov telling Kennedy, "We propose to rid the world of nuclear arms in the 15 years that the authors of the U.S. 'Star Wars' program set aside for the experiments aimed allegedly at trying out the recipes of nuclear disarmament through space arms."

Kennedy clearly has Moscow's vote for U.S. President. He was greeted with the publication of a best-selling book and play, titled *The Burden of Decision*, by none other than Fyodor Burlatskii, the KGB mouthpiece who said the U.S. SDI program was a *casus belli*. "For the first time on our stage, we are showing the American President with sympathy," he said. "A change came about in both Kennedy's and Khrushchev's consciousness," he said. "They both came to understand that nuclear war is unthinkable." The subject is the Cuban missile crisis, and JFK is martyred for compromising with the Soviets and recognizing Cuba, over warnings from J. Edgar Hoover that such a move will cost him his life. He walks away and there is a loud shot, ending the play.



# National News

## Problems in Sodom (or is it Gomorrah?)

In early February, New York Mayor Ed Koch was reportedly expecting the ax to fall on the mayor's mansion in the very near future, as several more of his top administration officials have either resigned or been discovered to be under federal investigation for corruption.

Koch, who had to retract his "1,000% support" for Queens Borough President Donald Manes, nervously commented on Jan. 31, ". . . They [the U.S. Attorney] want bigger fish." Koch, "If a guy could be raped, that's the way I feel. I feel that a friend beat the sh—out of me and took advantage of me. Here I was running the most honest government in the history of the world, doing what everybody would want me to do. And suddenly, like it's a fish smack in your face."

The FBI had swooped down on the Queens Democratic Party Committee headquarters Jan. 31—amid the exploding political scandal surrounding Donald Manes. A federal agent seized four cartons of financial records. The raid came three days after Manes stepped aside as Queens Borough President and made a clumsy suicide attempt, as he was embroiled in accusations that he engineered a series of payoffs from collection agencies. The treasurer and secretary of the Democratic Party Committee were subpoenaed by the FBI.

Additionally, Mayor Koch's "super cop," City Investigation Commissioner Patrick McGinley, resigned under fire on Jan. 31 after it was revealed he was being investigated for alleged misuse of office.

## State wants Kahane out; ACLU doesn't

In early February, the U.S. State Department issued a legal brief explaining why radical Zionist and terrorist Meir Kahane's religious and political affinity for Israel is cause for revoking his American citizenship. Kahane's lawyers at the ACLU called it "an invitation to anti-Semitism."

Kahane, born in Brooklyn, was the founder of the Jewish Defense League (JDL). In 1985, he was elected to the Knesset, Israel's parliament, and now holds dual citizenship. He is a convicted felon in the United States.

The U.S. Supreme Court in 1967 upheld U.S. citizenship for those who vote in both countries. The State Department explained that Kahane has publicly announced that his U.S. citizenship is only to maintain access to the country, and, because of his allegiance to Israel, he owes none to America. They quoted Kahane's book stating that conflicts between Israel and "the land in which [one] temporarily resides" should be solved by giving up one's citizenship to join Israel.

The fact that Kahane is a convicted felon is grounds for denying an immigration visa and is additional grounds for revoking his U.S. citizenship.

## Kissinger now eying Senate seat?

Senator Pat Moynihan (D-N.Y.) has lost three top aides in recent weeks, sparking speculation that he may not run for reelection in 1986—a move that could open the door to Henry Kissinger's ascent to the Senate.

According to the *New York Daily News*, Moynihan has lost his chief of staff, Robert Peck, his top domestic policy craftsman, Robert Shapiro, and his main foreign policy specialist, Thomas Melia, leaving his staff "very thin in political and legislative experience."

At the same time, the *News* noted that Moynihan has become "increasingly disenchanted with life as a member of the minority party in the Senate," and is particularly upset about recent charges by Sen. Phil Gramm that he is "weak on defense."

Meanwhile, Henry Kissinger has withdrawn, after a record one-week campaign, from his race for the governor's seat. According to wire service reports, Kissinger called New York Assembly Republican leader Clarence Rappleyea Feb. 3 and said he would not seek Gov. Mario Cuomo's seat, saying that "time constraints" prevent-

ed him from mounting a strong campaign "in light of his current focus on national and international events."

Previously, both the *Washington Times* and columnist William Safire in the *New York Times* had urged Henry to run for governor, but it is rumored that Kissinger, in a change of style, has his eye on higher things.

## TV figure attacks SDI, praises Soviet Union

Ted Turner, U.S. television magnate, lashed out at President Reagan's SDI program on Feb. 5. Turner had just returned from the Soviet Union.

He launched his attack in a speech to the European management forum in Davos, Switzerland. Turner stated:

"You know the shuttle that blew up? That was high technology. And what's SDI? High technology. What's the whole nuclear weapons system? High technology."

Turner said that while he was in Moscow, he was convinced that Gorbachov is sincere about wanting to eliminate all nuclear weapons by the year 2000.

"Why wait?" Turner asked. "Why not eliminate them by the end of this year?" His newly formed "Better World Society"—a disarmament *cum* Malthusian genocide group—had just recruited Georgii Arbatov, a member of the Soviet Central Committee and head of its U.S.A./Canada Institute, to its board.

## Euthanasia 'treatment' now standard in U.S.A.

Hospice "care," a form of "death with dignity" euthanasia, is now a legally required option for insurance company health plans.

A 1985 survey found that 59% of the Fortune 500 companies offered the hospice "benefit" to their employees. In January, Blue Cross/Blue Shield even produced a "model hospice benefit" to guide its affiliates.

All New York insurance companies and group insurance plans are legally required

to provide a hospice option, and the option is now mandated in Colorado, Maryland, Michigan, Nevada, and West Virginia.

"Hospice is definitely a cost saver if administered properly," said the survey groups' vice-president. The National Hospice Organization estimates that American hospices are now "serving" 100,000 patients a year. Medicare has paid for hospice care since 1984, but the benefits will end Sept. 30, unless Congress makes them permanent.

Hospices do not make any attempt to cure or prolong the life of inmates, but simply house them while they die. The savings to Medicare per hospice patient? About \$330.

## Regan associate indicted in Peru

Pedro-Pablo Kuczynski, co-chairman of the powerful New York-based First Boston International investment bank and old friend of Donald Regan, was indicted along with 12 others in Lima on Jan. 12; embargoes were slapped on their properties, and orders given that they be prohibited from leaving the country. Kuczynski is safe in New York City.

As Peru's energy and mines minister in 1980-81, Kuczynski wrote the "Kuczynski Law," which reduced payments to the Peruvian government on foreign oil company profits from 68.5% to 41.1%, on the condition that the companies would reinvest the difference—no reinvestments were made.

Peruvian President Alan García nullified the Kuczynski Law and the oil company contracts, with the unanimous support of the Peruvian senate last year.

## Governor fears tax-reform plan

Texas Gov. Mark White stated in early February that President Reagan's proposed tax-reform bill will place a Texas water plan in jeopardy.

The \$1.4 billion Texas water plan, ap-

proved by voters in November, has been put on hold because of financing difficulties caused by the new federal tax reform legislation. The Texas Water Development Board tabled the project after financial experts warned that the tax reform seriously hampered the state's ability to issue bonds to finance the water projects. The bonds would be more expensive and many of them would become taxable, making them much harder to sell.

An incensed Governor White wrote Senate Finance Committee Chairman Bob Packwood (R-Oreg.): "I feel the bond provisions represent a damaging attack on the ability of state and local governments to issue tax-exempt bonds for public infrastructure and other public purposes. This attack need not be part of tax reform. Clearly, if this effort is successful, the cost of state and local government will rise, the costs to our citizens will increase, and the public will suffer."

## Who supports the goals of Gramm-Rudman?

Apart from the congressmen who voted for Gramm-Rudman in order to avoid their responsibility as elected officials, those who support the bill's limits on the federal budget are invariably those who oppose American System economics.

For example, environmentalists, who love the law because it kills big projects such as dams and highways which threaten their beloved wilderness.

"We look at it as a real bonus from Gramm-Rudman that a lot of funding for road-building and dam-building will be lost, and that will protect our forests," says a co-chairman of the Sierra Club, long known for its anti-industry, anti-human policies.

A spokesman for the Environmental Defense Fund added, "Reaganism" has forced developers to cancel many projects on their own.

Another group of supporters, this time so-called fiscal conservatives, gathered in New York City, on invitation of Jack Kemp, to debate measures on how to reduce the U.S. budget deficit.

## Briefly

● **THE HOMICIDE** rate as of January 1986 in Washington, D.C. climbed by 120% over January 1984, according to a recent study. This gives the nation's capital the second highest rate of any American city. The response from one municipal official: "You're kidding."

● **SEN. HARRISON WILLIAMS** was released from a Newark halfway house on Jan. 31, after serving a two-year prison sentence on trumped-up charges of bribery and conspiracy stemming from the FBI's Abscam sting operation. Williams, who was proven innocent by the FBI's own videotape, and in a recent interview said his conviction was "contrived," plans to write a book on the corruption of the U.S. justice system, as evidenced by the Abscam operation.

● **AIDS** has never been spread by non-sexual contact, a study by the Montefiore Medical Center says. Among close family members of 39 AIDS victims, none contracted the disease, except one girl who inherited it from her mother. However, the group's statistics came from the Centers for Disease Control, notorious for a definition of AIDS that excludes many cases. The group also used CDC figures to claim that no health worker ever got AIDS from a patient. Their conclusion: "AIDS is an epidemic of fear."

● **JIMMY CARTER** is touring Central America, where he plans to "dialogue" with the regimes and guerrillas in Nicaragua and El Salvador. He will also be preparing for the debt conference he is holding in Atlanta in April, to be attended by both Peruvian President Alan García and by Pedro-Pablo Kuczynski, just indicted for helping Armand Hammer commit tax evasion in Peru.

● **THE PENTAGON** will test 2.9 million military dependents for AIDS on a voluntary basis, free of charge.

### *The stakes in the Philippines elections*

As we go to press, the American people have been the victims of one of the biggest black propaganda operations ever run by the press. The issue is the Feb. 7 Philippines presidential elections, in which President Marcos has taken the lead in an election most officials will privately admit accurately reflects his support.

Yet, the U.S. wire services, press, and media are reporting incessantly on opposition candidate Corazon Aquino's early victory proclamation, and spewing out reports of fraud and violence perpetrated by President Marcos's ruling KBL political machine. The implication is that President Marcos has lost the election, and that if he remains in power, he does so against the will of the Filipino people.

What is the purpose of this black propaganda? The guidelines for U.S. "reporting" on the election, as well as for the so-called observer team sent to the Philippines, led by Senate Foreign Relations Committee Chairman Sen. Richard Lugar, are based on a perception game set up by the likes of Rep. Stephen Solarz: Marcos must prove to the American people that he is capable of winning "*credible*" elections; if it is perceived that there has been massive fraud or if the election results "go against the will of the Filipino people," then the United States will cut military and economic aid to the Philippines.

The game has been rigged. No matter the realities in the Philippines, the U.S. press is conjuring up the *impression* that the elections are *not* "credible."

The purpose is to force through Congress, and especially the White House, the removal of the U.S. bases at Clark Field and Subic Bay. In fact, just as the elections were taking place, five congressmen led by KGB Democrat Ron Dellums were visiting the Philippines and Guam to study how the United States could transfer its bases to the outer rim of islands in the South Pacific.

As *EIR* has documented, the U.S. bases at Clark and Subic are irreplaceable; the U.S. Trident submarines would have to be hauled all the way back to the U.S. West Coast for servicing. Removal of the bases would

give the Soviet Union command over the crucial South China Sea, where the Soviets have already established bases at Cam Ranh Bay and Danang. The abandonment of the Philippines is a signal to every other U.S. ally in the region—especially Japan and South Korea—that the United States is executing a full-scale withdrawal from Asia and they had better come to terms with "the other powers" in the region.

President Marcos is fully aware that withdrawal of the U.S. bases is the real content of the operations against his government. On Feb. 8, in regards to the disinformation coming from the U.S. press, he told reporters: "We are a small country, and we do not dictate to the United States or any other observer group. If you want to cut the military aid to us, if you want to eliminate the bases, what can we do? We have to live with that and probably we have to make some kind of a *modus vivendi* with other powers in the region."

Of course, the American President and people would never accede to a *stated* policy to withdraw the U.S. bases from the Philippines and to abandon this friend and ally, whose soldiers fought side by side with Americans in many wars. No, the American President and people have to be made to believe that the Marcos government is a "discredited dictatorship," that the Philippines "is going," and that the United States "has no other choice."

That is the hidden truth behind the lies of the U.S. press.

On ABC's Nightline Feb. 5, President Marcos explained to Americans the strategic necessity for the U.S. bases at Clark Field and Subic Bay: to maintain the balance of power and thereby lessen the danger of war, and to protect the nations of Southeast Asia and the free world from Soviet expansionism. For this reason, he said, the bases are in the interests of both nations. President Marcos, it would appear, is a far better patriot of the United States than most of the so-called Americans in the State Department, the CIA, or the U.S. Congress.

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